

Austria	Ec. 10	Indonesia	Rp 2000	Paraguay	Ps. 75
Denmark	Ec. 50	Italy	L 1100	S. Africa	Ps. 6.00
Belgium	Bf. 38	Japan	Yen 750	Singapore	S\$ 4.10
Canada	C\$1.00	Jordan	Fls. 500	Sri Lanka	Pn 100
Corse	Mfr. 800	Kuwait	Fls. 500	Togo	Do 20
Germany	DM 2.75	Lebanon	Le 1000	Tunisia	Stg. 20
Egypt	EGP 1.75	Luxembourg	LF 38	Uruguay	Stg. 2.00
Finland	Vtk. 5.50	Malta	Fls. 4.75	Venezuela	Stg. 2.95
France	Frs. 2.00	Mexico	Pes. 300	Yemen	Do 0.800
Greece	Dr. 6.00	Morocco	Fls. 100	Zambia	L 160
Hong Kong	HK\$ 1.2	Nigeria	N 1.50		
India	Rup. 15	New Zealand	N 6.00		
		Philippines	Pes. 20		
		U.S.A.	\$ 1.50		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,377

Monday July 23 1984

D 8523 B

Dilemma for Delors
at the EEC
Commission, Page 11

NEWS SUMMARY

GENERAL

Germany releases Soviet truck

West Germany and the Soviet Union ended a three-day stalemate over an impounded Moscow-bound truck after Soviet diplomats allowed German customs men to inspect its nine tonnes of diplomatic cargo.

The West German government said the truck was carrying 207 packages which the Soviet Union said contained normal electronic radio, decoding and other equipment intended for use at the Soviet UN mission in Geneva.

West German officials had not opened the packages, in compliance with the Vienna convention, on diplomatic relations, the statement added. Page 2

Docks warning

Dock workers' leaders in Britain called at fresh militancy as ports returned to normal after a two-week strike. Page 4

Lebanon talks

Christian and Druze Moslem leaders negotiated on the return of Christian villagers to the Druze-held mountains southeast of Beirut. Militiamen in the capital handed in weapons for storage in government-guarded depots. Page 2

Saudi visit 'open'

Iran said it was still considering whether to send the speaker of its parliament, Hashemi Rafsanjani, to visit Saudi Arabia. West German Foreign Minister Hans-Dietrich Genscher ended two days of talks in Tehran, saying Iran was ready to seek closer co-operation with the West. Page 2

Polish amnesty

Polish prosecutors today began freeing 650 political prisoners and 35,000 minor criminals, after the announcement of an amnesty. Page 2

New passport plan

UK Government is expected to outline plans for a new passport, redrafted to match other EEC passports and able to be read by computers.

Sikh rift threat

A serious rift between Sikhs is threatening the troubled peace in Punjab brought by army action to evict extremists from the Golden Temple in Amritsar. Page 2

Aegean blaze

Fire destroyed 200 hectares of forest on the Greek island of Thassos in the Northern Aegean. The fire spread rapidly, fanned by strong winds.

Lutherans gather

The Lutheran World Federation opened its first assembly in a Communist country with a service in Budapest attended by thousands. It was the largest religious gathering under communist rule. Hungarian sources said.

Mermaid disarmed

Vandals sawed the right arm off Copenhagen's Little Mermaid statue, the second time the harbour-front statue from a Hans Christian Andersen fairy tale has been damaged in the past 20 years. In 1984 the head was removed.

Fignon's Tour

Laurent Fignon of France won the 1984 Tour de France, finishing with the pack in the final stage in central Paris to keep his comfortable lead over second-placed compatriot Bernard Hinault. Marianne Martin of the U.S. won the first women's Tour.

Grand Prix to Lauda

Niki Lauda of Austria, in a McLaren, won the British Grand Prix at Brands Hatch. Britain's Derek Warwick in a Renault was second.

BUSINESS

GEC wins £150m Indian contract

GEC Turbine Generators of the UK has won a £150m (\$198m) contract to supply four 60.7 megawatt coal-fired steam generators to India in one of the biggest-ever British government-funded overseas aid programmes. Page 12

BELGIAN franc continued to improve in the European Monetary System last week. Although it was still the weakest member,

The inflationary issue is certain

to be taken up by the Senate Banking Committee this week, when Mr Paul Volcker, chairman of the Federal Reserve Board, gives evidence on U.S. monetary policy. Mr Volcker is bound to be questioned closely on the prospect for wages and inflation, which are both continuing to rise modestly despite evidence that the economy is still expanding more rapidly than most forecasters expected or the Fed would like.

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President Reagan's advisers have given a warning that such boom conditions should not be used as an excuse for an over-generous settlement that might provoke inflationary wage demands among other industrial workers. Earlier in the year, some government officials went out of their way to criticise the huge wage rises that gave several motor industry executives earnings of over \$1m in 1983, saying that they were provocative awards ahead of the wage talks.

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to be taken up

WORLD TRADE NEWS

Taiwan talks on Toyota car plant break down

By Robert King in Taipei

TALKS between Toyota Motor Corporation of Japan and the Taiwan Government have been setting up a \$265m (£150.2m) joint venture car manufacturing facility here have broken down. A senior government economist said he was "extremely pessimistic" on chances that the venture would proceed.

Toyota and the Taiwan Government disagree mainly on exports of the proposed plant, which was scheduled to begin production in 1986.

Taiwan wants guarantees from Toyota that the plant will eventually export half of the 300,000 cars to be produced annually, beginning in 1994. Toyota considers the 50 per cent export ratio to be a major dependent on world economic conditions.

Talks last week between Toyota officials and the Government ended with both sides refusing to budge from their positions. Taiwan has extended a July 4 deadline for an acceptable proposal from Toyota to September 4.

If Toyota and the Taiwan Government fail to come to terms by then, Taiwan may seek another foreign partner for the venture, say officials.

Fiat expects big Soviet orders

TURIN—Fiat, Italy's major car manufacturer and leading private industrial group, said it may receive as much as £3 trillion (million million) worth of orders for its products from the Soviet Union under a five-year operation accord renewed last week.

The company confirmed Italian press reports from Moscow that senior Soviet officials had indicated they were considering importing large amounts of the company's products, including tractors, engines, machine tools, and earthmoving equipment.

But a company official said that only one new contract, a \$48m (£28.5m) order for automated welding equipment from Fiat's production systems unit, Comau, had so far been signed.

AP/DJ

Paul Betts, recently in Riyadh, on how the battle for the \$2bn King Saud campus contract was won Desert monument to Saudi educational ambitions

"**THERE HAS** never been a contract of this kind, of this size before and there probably won't be another one again," remarked M. Olivier Poupart-Lafarge, the chief financial officer of Bouygues, France's largest private construction company, during a visit to the three-and-a-half square mile King Saud University campus in the Arabian desert outside Riyadh.

The university, built by a Franco-U.S. joint venture between Bouygues and the Alabama-based Blount construction group, will be completed on schedule at the beginning of next month. But as a measure of the complexity of the deal, which at \$2bn (£1.5bn) is one of the largest fixed-price construction projects, it took longer to negotiate than to construct.

"It took about 41 months to negotiate the deal after winning the initial bid and only 40 months to complete the project," said M. Nicolas Bouygues, the project director in the venture, 55 per cent of which is controlled by the French company, with 45 per cent held by the U.S. group.

The project, which has broken ground in its financial contractual arrangements and its use of computers in construction, is likely to become a case history in what Mr. Winton Blount, president of Blount's international construction and engineering operations, regards as a dying breed of "mega-construction" ventures.

"Everything was integrated in the construction of the university between the two companies. There has been no division at all. We realised we could not have accomplished anything by dividing the job up," explained Mr. William "Bull" Wilson, the project manager from Blount.

For the fast growing and largely Western company, the partnership with Blount gave Bouygues the experience it was seeking of working with U.S. construction specifications.

For Blount, the partnership with the French company gave it the exposure and presence on the Middle East markets it had been seeking. However, Mr. Blount now acknowledges that the Middle East markets have dried up and that other major international construction groups are focusing on the U.S. market and diversifications.

Apart from the sheer scale of the project, which employed at its peak up to 12,000 workers and will result in what is probably the grandest university campus ever built, it is the financial and high technology aspects that set the ventures apart from other major construction projects.

"The financing required for this deal has never been done before and has never since been done," said Mr. John Glynn, Blount's chief financial officer, who worked with Poupart-Lafarge of Bouygues to arrange the financing of the venture. The project, when originally bid in 1978, had totalled \$3.5bn but was subsequently scaled down by the Saudis to \$1.7bn. Later, changes in the contract, including the addition of a mosque on



The King Saud University campus—the project took longer to negotiate than to construct

the campus, brought the total up to \$2bn.

The Saudis required \$80m in performance guarantees (the equivalent of 5 per cent of the total project cost), up to \$20m in penalty clauses or 10 per cent of the contract, and a bank guarantee totalling \$243m as collateral for a 20 per cent advance for a similar amount on the project price.

For nearly nine months, the Bouygues and Blount executives negotiated the arrangements with a French and American banking syndicate. They had to overcome the strong reservations of the U.S. banks that the

two construction companies could justify that level of borrowing and had to cope with the differences in French, U.S. and Saudi banking and legal practices.

The climax of the tough financial negotiations was a Keystone Cops race with a cheque drawn on Morgan Guaranty for \$343m, the Saudi advance, flown in by Concorde from Riyadh to be deposited in Wall Street in time to prevent the contractors finding themselves with a \$343m overdraft. "And Concorde could not land at New York's Kennedy airport that day because of fog," Mr. Glynn recalls.

"Those were the days when the U.S. prime was at its peaks and I calculated every day was worth \$175,000."

But if the Saudi client imposed tough financial conditions, it also insisted on a sophisticated computerised project control system. The university authorities intend keeping the software and hardware systems and equipment used for the project to simulate the systems in the university's engineering department. King Saud University, as Dr Mansour al-Turki, the university rector explains, has essentially a scientific and technical vocation.

The university will open next September. It will have a capacity of 25,000 students with a ratio of one tutor for 10 students. Dr Al-Turki expects the university to open with as many as 19,000 students.

The university may be an optimistic target. However, the university is clearly intended to play a long-term role in the Saudi education programme. The enormous campus with its high technology facilities and its contemporary architecture drawn on Arabian traditions is, in Mr. Blount's words, "a monument to the Saudi Arabian people and their wealth."

U.S. curbs on textile imports attacked

By Mohamed Afifi in Islamabad

THE U.S. came under heavy fire from textile-producing developing countries over the weekend for stepping up restrictions on imports of their products.

More than two dozen textile-producing countries met in Karachi to establish an international textile and clothing bureau to be based in Geneva and to discuss the problems hitting textile and clothing exporters.

Pakistan is hosting the meeting, which will also examine the recent General Agreement on Tariffs and Trade (GATT) study on textiles and form a strategy for negotiations for future treatment of textile trade when the current Multi-Fibre Arrangement ends in July 1986.

Mr. Ghulam Ishaq Khan, Pakistan's Minister for Finance and Commerce, who opened the meeting, said: "In the U.S. new domestic criteria have been recently evolved in order to extend controls to the so far unrestricted products and sources."

These measures are being taken not against a backdrop of recession, but in the context of a strong economic recovery, the minister added.

He accused the industrialised nations of acting contrary to the spirit of their decisions at June's London summit, as well as last year's Williamsburg meeting, where the developed countries had committed themselves to examining ways of liberalising trade.

• The Trade Surveillance Board (TSB) under GATT has asked the U.S. to withdraw restrictions placed on three categories of garments exported by India under a bilateral textile agreement between, according to Indian Commerce Ministry officials, writes R. K. Sharma in New Delhi.

India took the matter to the TSB last month on the grounds that the U.S. restrictions on imports of men's and boy's sweaters, men's and women's sweaters and man-made fibre blouses did not seriously damage U.S. industry.

UK employers urge tougher line on Spanish car tariffs

By JOHN GRIFFITHS IN LONDON

THE CONFEDERATION of British Industry is urging the UK Government to take a tougher line with Spain on tariff barriers to car and other manufacturing imports.

The Government and BL, the state-owned car manufacturer, were disappointed last month by a failure to persuade Spain to increase the quota of EEC-produced cars which it allows to be imported at reduced rates of duty.

Cars imported to Spain normally attract a duty of 36.7 per cent, while Spanish cars entering the EEC attract only 14.4 per cent.

Pressure from the UK was mainly responsible for Spain allowing 15,000 EEC-built cars to be imported in the year to this July at 19.25 per cent duty. BL's share of the quota was 1,997 cars.

The CBI's latest approach to the Government is aimed at ensuring that the transition period allowed to Spain after its expected accession to the EEC in 1986 is kept as short as possible.

Spain has refused to increase the total quota for the current year but has allowed BL an extra 243 cars, which BL has dismissed as "derisory."

In a letter to Mr Paul Channon, the Trade Minister, Sir Terence Beckett, the CBI's director-general

Nippon Kokan to build oil production unit

By Robert Cottrell in Tokyo

NIPPON KOKAN, the Japanese steelmaker, is to undertake the world's first new building construction of a deepwater offshore oil production and testing system (PTS), for K/S Petrojarl, a consortium of Norwegian companies.

Nippon Kokan says the PTS will be capable of handling oil production of up to 20,000 barrels a day and can operate at a water depth of between 100 and 550 metres.

The PTS, due to be completed by early 1986, will have a storage capacity of 160,000 barrels of oil.

Turkey and U.S. sign metro study accord

By DAVID BARCHARD IN ANKARA

TURKEY and the U.S. have agreed on a feasibility study for the Istanbul tube tunnel rail crossing and Istanbul metro system.

The agreement, signed by Mr Robert Strauss-Hope, the U.S. ambassador to Turkey and the Under-secretary for the Treasury and Foreign Trade, Mr Ekrem Paldemirli, will run for three years.

The study will cost an initial \$400,000, possibly rising to \$1.4m.

The tube tunnel rail crossing is likely to be the city's third Bosphorus crossing and the metro system will eventually be one of the largest public spending projects in Turkey over the next decade.

Five or six consortia are known to be interested in the feasibility tender, which is being financed by the U.S. Congress Trade and Development Programme.

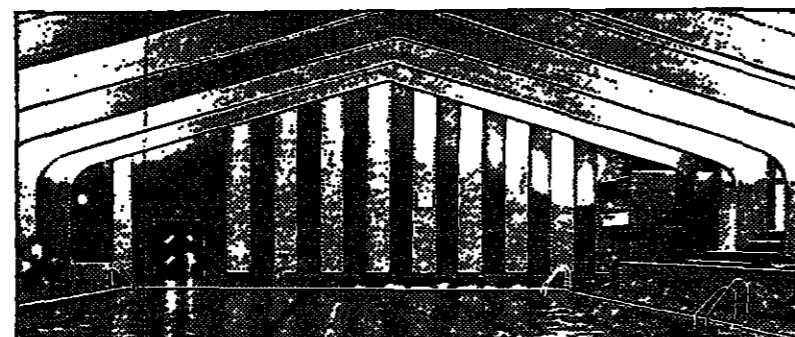
AP reports from Jeddah: Saudi Arabia and Turkey have signed a memorandum of understanding to boost military co-operation and set up joint ventures for manufacturing.

Turkish Defence Minister Mr. Zeki Yarutürk said he hoped definite plans for joint ventures would emerge by early next year.

ENERGY BLUEPRINT

PLANNED EFFICIENCY AND ECONOMY IN THE USE OF ELECTRICITY. 22

Heat pumps cut running costs of swimming pools by up to 75%



Wellington Swimming Pool where heat pumps provide a comfortable environment for swimming. Heat pumps dehumidify this air and the dried air is eventually recirculated. The majority of the heat reclaimed is latent heat from the moisture in the air. It is used to heat the pool water and the dry, recirculated air which is mixed with a proportion of fresh air and directed up the walls from floor-level ducts, to maintain a hall temperature of 29°C. This heat pump also provides heat for showers and tap water at 40°C throughout the whole complex. More energy is saved in the showers by controlling them automatically to operate for 30 seconds at a time.

The pool water, at 28°C, acts as a large store for spare heat from the main heat pump. A second heat pump enables this surplus heat in the pool to be upgraded and used to pre-heat the main heat pump. A second heat pump enables this surplus heat in the pool to be upgraded and used to pre-heat the main heat pump.

For further information tick box no. 1.

the other above a window disguised to look like part of the original window.

Compact, quiet and efficient, the heat pumps can both heat and cool and they make use of free ambient energy to contribute to the heating. The units operate independently and can be switched from heating to cooling as customer requirements dictate.

The electric heat pumps have proved so satisfactory that three more have been installed in the domed ceiling at the rear of the restaurant. For further information tick box no. 2.

School's first prize for energy saving

The all-electric Ravenscroft Primary School at Clacton is an excellent example of good energy design and management. So good, in fact, that it won the 1982 Building Services Award for Energy Use in Buildings.

The intention of the building design was to produce a school needing as little as 50 per cent of the energy of a conventional design. Electric heat pumps, in conjunction with underfloor pipe-work, high-efficiency lighting and heat reclaim equipment, are among the main reasons for the scheme's success. Environmental comfort is based on three water-to-water heat pumps obtaining heat from ground water and transferring it to an underfloor heating scheme at up to 45°C. In addition, controlled ventilation is used with heat recovery equipment to reclaim heat from exhaust air and preheat the warm air supply. Passive solar heat is also used through rapid-response solar walls on the school's southern face, and through south-facing vertically glazed roof lights which capture the low winter sun.

The heat pumps are used to warm the building via the underfloor system, before it is occupied. During the day, the heat pumps supply heat to the warm-air units to provide a rapid response to changing ambient conditions. The daytime heat need is normally low, thanks to the high insulation standards and the solar gain made possible by the school's structural design. Another energy-efficient option open to the school is to use the underfloor heating coils to store heat from the heat pumps using electricity supplied at the off-peak night rate.

Lighting, using the latest high-efficiency lamps with improved colour rendering, also helps control energy costs. They are further monitored by a microprocessor-based control system which switches lamps off automatically when particular areas are empty. Local override switches provide flexibility. Another control system performs a similar task for the heating and mechanical



Ravenscroft School where electricity is providing for the future. Roofs are insulated to high standards, and glazed entrance lobbies provide insulating air locks.

The competition judges' comments made particular mention of the design team's ingenuity in integrating advanced energy-saving equipment into a structure fully designed to make the most of it. In fact, savings in the all-electric school could be as much as 50 per cent compared with more conventional designs and yet, as the judges point out, the savings were achieved at little or no extra cost to the client.

For further information tick box no. 3.

Please send me copies of leaflets/information on the following topics.

Please tick as appropriate (UK only).

- 1. Wellington Pool
- 2. Heat Pumps
- 3. Ravenscroft Primary School

Please send the coupon to: Electricity Publications, PO Box 2, Central Way, Feltham, Middlesex, TW14 0TG.

Name _____

Position _____

Company/Address _____

C1161

PLAN ELECTRIC
The Electricity Council, England and Wales

Dining in the right atmosphere

Rules is a well-known restaurant in London's Covent Garden — a restaurant that prides itself on good English fare and old-fashioned, dignified service. The restaurant's Edwardian decor belies its 18th-century origins, indeed Charles Dickens is only one of the literary giants of the last century reputed to have eaten there.

Although outwardly Rules appears to have altered little in the last 186 years, energy-saving technology is making an important contribution to

the atmosphere of the restaurant. Rules needed a compact, quiet and completely unobtrusive heating and cooling system to keep the restaurant warm and welcoming, yet one that would be economical to run. To solve the problem, they decided to use split air-to-air electric heat pumps, two of which were installed in the front bar area of the restaurant. The outdoor units are mounted out of the way on the roof. Both air-handling units have been hidden away in the false ceiling void, one above the bar.

UK NEWS

Docks warning as ports get back to work

By BRIAN GROOM, LABOUR STAFF

DOCKERS' LEADERS intend to build on the re-found militancy which they believe their two-week strike has demonstrated by trying to achieve further gains against employers on a range of outstanding issues.

This warning was made as all of Britain's ports began returning to normal working yesterday. Dockers in Liverpool, Hull and Southampton were among those who voted yesterday to go back after colleagues in ports such as London and Goole had already returned.

At a national union docks conference in London on Saturday, only about seven out of 88 delegates voted against the peace formula thrashed out in 16 hours of negotiations at the headquarters of the Advisory, Conciliation and Arbitration Services (Acas), the independent Government-supported arbitration service.

Mr John Connolly, docks secretary of the Transport and General Workers' Union (TGWU) said of the strike: "The response on this occasion has been so great that it is a first stage in our view. We will be seeing an expansion of that, and we know the areas we need to work on to make it possible."

He did not specify the TGWU's plans, but the union had a number of policy objectives which it believed port employers and shipowners had ignored with impunity because of lack of solidarity among dockers.

An effort may be made to tighten the union's policy of blocking shipping services which are switched between ports by shipowners who seek a better financial deal.

Under the deal the unions state they are not seeking a new industrial agreement.

The TGWU would like the scheme extended to non-scheme ports but this would be hard to achieve because non-scheme ports are its weakest link - as shown by the crumbling of the dispute at Dover last week, and the return to work at Felixstowe which would probably have followed.

The strike started over British Steel's use of unregistered labour to load iron ore blocked by dockers at Birmingham.

Under the terms of the deal employers have promised to use non-registered labour only after applying to their local dock labour board.

Employers believe it will be hard for the dockers to make the further gains they are seeking. They believe also that the Acas formula which introduces no new procedures to the dock labour scheme, fails to give unions the concessions they wanted.

Under the deal the unions state they are not seeking a new industrial agreement.

Freeze on cash for 'hit-list' councils

By Robin Peasey

A CASE freeze for councils caught by the Government's rate-capping legislation, which restricts the spending powers of local authorities, will be announced tomorrow by Mr Patrick Jenkin, Environment Secretary, together with increased penalties for councils which exceed the Government's expenditure targets.

Mr Jenkin will announce a relaxation of financial pressures on councils which keep within the Government's targets, notably most of the Tory-controlled shire county councils.

The rate-capping "hit list" contains 18 councils, but ministers are considering a last-minute reprieve for Brent, Merseyside and Sheffield. These three exceeded their grant-related expenditure assessments - the Government's calculation of the expenditure needed to provide a standard level of services - by less than 25 per cent. If they are reprieved, they will be the most likely candidates to head the 1986-87 hit list unless they make voluntary cuts.

Tomorrow's announcement will show that the Government has increased targets for lower-spending councils more generously than for those which persistently overshoot their budgets.

Freezing the cash budgets for the hit-list councils at the same level in 1985-86 as in 1984-85 means cuts will have to be made equivalent to the rate of inflation, expected to be about 5 to 6 per cent in 1985-86. This means substantial cuts will have to be made in some already hard-pressed urban areas, such as Hackney in London, which is Britain's poorest borough.

CBI warns of optimism over stronger July sales growth

By MICHAEL PROWSE

RETAILERS and wholesalers expect to sell more this month than in July 1983, according to the latest survey of the distributive trades by the Confederation of British Industry, the UK employers organisation, and the Financial Times.

Mr John Salisse, chairman of the CBI's distributive trades' panel, warns, however, that "the survey was completed before the recent rise in mortgage rates which is likely to depress retail sales in the coming months." Retailers are continuing to enjoy stronger sales growth than wholesalers.

The CBI suggests that, because the July sales were so successful last year, a further improvement this year shows "considerable optimism." The survey indicates that 89 per cent of retailers expect to sell more in July than a year ago and only 8 per cent less.

All sectors, including confectionery, tobacco and newspapers, which have been weak in recent months, expect to sell more this month than in July 1983.

The picture for wholesalers is less encouraging. Sales growth seems to have ground to a halt. In June 42 per cent of wholesalers reported higher sales than a year ago and 41 per cent lower sales. The positive balance of 1 per cent was the lowest since the survey was started in July 1983.

Wholesalers expect to do better in July, but since their expectations have been consistently over-optimistic, the CBI points out that shows "considerable optimism."

The survey indicates that 89 per cent of retailers expect to sell more in July than a year ago and only 8 per cent less.

For the distributive trades as a whole there has been a steady deceleration in sales growth since the beginning of the year. The positive balance of companies reporting increased sales has fallen steadily since January and in June was the lowest since the survey started.

The survey indicates that motor traders are having an unexpectedly poor summer. Last month 45 per cent reported a fall in sales volume compared with June 1983, and only 34 per cent an increase. A further fall in sales and stocks is predicted for July.

A positive balance of firms surveyed in all retailing and most wholesaling sectors expect to place bigger orders with their suppliers this July than in 1983. Higher volumes of stocks are also expected.

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UK NEWS

How negotiations became caught in semantics

Vital word in way of coal peace

BY JOHN LLOYD, INDUSTRIAL EDITOR

ONLY THE word "beneficial" separates the two sides in the miners' dispute, which enters its 20th week today.

The formulation in the National Coal Board's (NCB) draft on which talks broke down last week, and which the full National Union of Mineworkers (NUM) executive will consider on Thursday, said where both sides agreed that a colliery had "no further mineable reserves... which can be beneficially developed, such a colliery shall be deemed exhausted." The NUM's draft simply left out "beneficial."

Mr Arthur Scargill, the NUM president, has insisted that the word is a proxy for "economically" or "profitably" - and thus to agree on its inclusion would be to allow the National Coal Board to close pits on purely loss-making grounds.

Management at FTS blamed by auditors

By Ray Vaughan

A POWERFUL group of institutional investors will decide next month whether to continue support for Future Technology Systems (FTS), which was formed five years ago to design and manufacture a new generation of microprocessor-based computer systems in Beith, near Glasgow.

An interim financial report produced at the beginning of this month by Coopers & Lybrand, the major auditing and consultancy firm, found that the company "has suffered from appalling financial mismanagement."

Coopers calculated that the capital injected by the funds through a share placing arranged by brokers in August last year have been entirely eliminated. It concludes that should the shareholders elect to invest more capital as "an act of faith" in the company's product they should either seek a buyer for the company or "re-organise the structure of the company radically, particularly in respect of management, systems and operating locations."

Mr Peter McHugh, one of three founders of FTS, will be replaced this week by Sir Monty Finniston, former chairman of British Steel Corporation.

But it is possible that Mr Scargill has put a stricter construction on the vital word than the NCB meant. After all, if the NCB meant to say "profitably" or "economically" why did it not use these words, rather than the much vaguer one?

These questions are now being posed by NUM officials, who fear that the tactic of continuing the dispute into the winter may result in defeat, and who suspect that the NCB's final offer may, after all, represent a considerable tactical victory for the union.

The shorter Oxford English Dictionary defines "beneficial" as in the first instance, a synonym of "beneficent," which it in turn defines as "doing good, performing kind deeds." In the second instance it defines it as "of benefit," and defines "benefit" as "a thing well

done, a good deed; a kind deed, favour, gift, advantage, profit, good (the ordinary sense)." So that, while profit can be part of its meaning, there is plenty of scope for semantic argument.

Rogers' Thesaurus - which Mr Mick McGahey, the NUM president, has consulted on this subject - gives as synonyms for beneficial "wholesome, healthy, salutary, sound, refreshing, edifying, worthwhile, advantageous, profitable, favourable, kind, propitious, harmless, hurtless, inoffensive, unobnoxious, innocuous."

The semantics of this argument are much more than academic. If a serious lobby develops in the NUM for a settlement on the basis of the NCB's last offer, it will centre on the amount of flexibility which "beneficial" can offer.

It is a rare offer whose wording is interpreted strictly by the union and loosely by the management, but the NCB's final draft may be such a one.

NatWest moves to establish integrated securities house

BY DAVID LASCELLES

NATIONAL Westminster's agreement last Friday to buy a 5 per cent stake in Fielding Newson Smith, the stockbroker, seems to put in place all the building blocks it needs for the "integrated securities house" now fashionable but still untested in the London banking scene.

Once stock exchange rules allow it, NatWest will buy full control of the stockbroking firm and weld it to Bisgood, Bishop, the stockjobbers, in which it already has a 29.8 per cent stake, and to County Bank, NatWest's merchant bank which is masterminding the plan.

Mr Charles Villiers, County Bank's chief executive says NatWest will then have issuing, market making and distribution capacities all under one roof, something only made possible by the Stock Exchange's decision to end the traditional distinction between brokers and jobbers.

NatWest's deal may not be the biggest so far arranged by UK clearing banks but it appears to be the most far reaching. In sheer size, Barclays' tie-up of over £100m with de Zoete & Bevan, the stockbrokers and Wedd Durlacher, the jobbers is in the lead. But unlike NatWest, Barclays is not committed to buying

full control of its partners which implies that total integration is not thought possible or desirable.

Samuel Montagu, Midland Bank's 60 per cent-owned merchant bank has an alliance with W. Greenwell and Co, the stockbrokers, but has stopped short of joining with a jobber as well because it believes it can build on its own trading skills, which traditionally have been strong. Lloyds Bank has yet to make a move although it is looking at the possibility of joining with a stockbroker to offer discount broking services to its retail customers.

NatWest's deal was greeted with some scepticism from the still considerable ranks of those who cannot imagine how bankers, stockbrokers and jobbers can ever form a harmonious marriage. Mr Villiers is one of the more articulate exponents of change, however, and staff at County Bank say they have spent countless hours plotting their move.

"We chose to go with Fielding and Bisgood, because they have a similar attitude to us. They see the need for change and agree on the concept of an integrated capitals market operation," he says.

But the details of how the three are to be pulled together have yet to

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Increased demand for small factories

By Michael Cassell,
Property Correspondent

DEMAND FROM industry for small factories and workshops is increasing, according to English Estates, the industrial development agency which is part-funded by the Government.

In its annual report for the year to March, English Estates says interest in small business premises grew significantly and that larger units were also increasingly in demand. The agency obtains funds for its development activities from the Department of Trade and Industry, the Development Commission and from the private sector.

Lettings in England were at record levels and amounted to nearly 1,200 units accounting for 2.9m sq ft of floorspace, a 31 per cent increase from 1983.

The volume of space let substantially exceeded the 1.35m sq ft of floorspace completed, with the result that vacant floorspace fell by 10 per cent over the year. At the year end, however, English Estates still had nearly 5m sq ft of floorspace unlet.

Lloyds Bank ready to grapple with change

A HEAVY agenda will confront Mr Fred Crawley when he takes over as chief general manager of Lloyds Bank at the end of this month. Like all clearing banks Lloyds is gearing up for an escalation in the battle with building societies for deposits, and management will also have to grapple with the fast-changing scene in the City of London, with developments such as home banking and cashless shopping.

But Mr Crawley comes to the job with wits sharpened by time spent with Lloyds' subsidiary in California, which is probably the world's most competitive - and potentially lucrative - banking market. Recently he has been in charge of marketing and planning at the smallest, but in many people's view the classiest of Britain's big four clearing banks.

He said: "We see a need for change to accelerate, but not necessarily for big changes."

He believes his most pressing task will be to combat the inroads made by the building societies on the banks' traditional market. The Chancellor's decision to make banks pay interest net of tax rather than gross from next year will eliminate a useful competitive advantage which helped disguise the fact

Lloyds' new chief outlines the need to accommodate a changing banking scene, reports David Lascelles, Banking Correspondent

that banks' deposit rates were not overly generous. This poses a threat to the £3bn Lloyds holds in seven-day deposits.

"No doubt we shall have to pay full rates for money, but also charge fully for services. At the moment we are only recovering about 50 per cent."

As automation improves, however, and banks branch out into new lines of business, traditional services such as cashing cheques and money transmission will become relatively less important.

Mr Crawley is keen to see Lloyds revamp its trustee business into a financial counselling service, where customers can get advice on money, investment and tax matters. This would be linked to a discount broking service which Lloyds would offer in conjunction with stockbrokers, and from there it would only be one step to cash management accounts which combine savings and investments. These are popular in the US, but quite new to the UK.

Mr Crawley also sees "all sorts of potential" for Black Horse Agencies, Lloyds' recent and still unique entry into the estate agent business. The agency is the largest network in the country with 170 offices, and should increase to 300 in the next two years.

Mr Crawley is wary about much publicised breakthroughs in banking technology such as video home banking and cashless shopping.

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£100 million 10½ per cent EXCHEQUER STOCK, 1997

In each case, the amount issued on 20th July 1984 represents a further tranche of the relevant Stock, ranking in all respects pari passu with that Stock, subject to the terms and conditions of its prospectus, save as to certain particulars therein which relate solely to the initial sale of the Stock. Application has been made to the Council of the Stock Exchange for further tranches of stock to be admitted to the Official List.

Copies of the prospectuses for 8½ per cent Treasury Stock, 1988; 10½ per cent Treasury Stock, 1999 and 11½ per cent Treasury Stock, 2003-2007, dated 11th October 1982, 18th December 1977 and 20th July 1979 respectively, may be obtained at the Bank of England, New Issues, Watling Street, London EC4M 9AA. The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below:

Stock	Redemption date	Interest payment date
8½ per cent Treasury Stock, 1988	25th October 1988	25th April
10½ per cent Treasury Stock, 1999	19th May 1999	25th October
11½ per cent Treasury Stock, 2003-2007	22nd January 2007, or on or after 22nd January 2006 subject to notice given in three months*	15th May 2007
		22nd July

The further tranches of 8½ per cent Treasury Stock, 1988 and 10½ per cent Treasury Stock, 1999 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock. The further tranche of 11½ per cent Treasury Stock, 2003-2007 has been issued on an ex-dividend basis and will not rank for the interest payment due on 22nd July 1984 on the existing Stock. Official dealings in the Stocks on the Stock Exchange are expected to commence on Monday, 23rd July 1984.

BANK OF ENGLAND
LONDON
20th July 1984

Port of London Authority



Summary of Accounts

GROUP PROFIT AND LOSS ACCOUNT		GROUP BALANCE SHEET	
1983	1982	1983	1982
£'000	£'000	£'000	£'000
TURNOVER	253	84.1	100
OPERATING EXPENDITURE	(61.7)	(62.6)	61.9
GROSS PROFIT	12.6	15.5	7.4
Administrative Expenses	(0.2)	(0.9)	71.9
Investment Income	0.9	1.2	76.5
PROFIT BEFORE INTEREST	3.3	6.3	14.1
Interest	(4.8)	(11.4)	12.8
LOSS BEFORE TAXATION	(1.5)	(5.1)	86.0
Taxation Credit/(Charge)	—	—	89.3
LOSS AFTER TAXATION	(1.5)	(5.1)	—
Minority Interest	—	—	—
LOSSES ON EXTRANEOUS ITEMS	(1.9)	(6.1)	—
Extraordinary Items	—	—	—
LOSS/PROFIT FOR THE YEAR	(1.5)	0.1	—
21st May, 1984			
V.G. PAIGE	J.N. BLACK	T.R. MACMASTER	
Chairman	Chief Executive	Director of Finance	
Published by the Port of London Authority under Section 8(3) of the Port of London Act 1968			

The above is an extract from the published Accounts of the Port of London Authority for the year ended 31st December, 1983, which have been delivered to the Registrar of Companies. The audit report contained in the published Accounts includes a qualification, due mainly to the fact that the accounts were prepared in accordance with accounting principles adopted by Government departments and non-registered employees.

Copies of the Report and Accounts 1983 can be obtained from the Secretary's Department, Port of London Authority, Leslie Ford House, Tilbury Docks, Essex RM18 7EL. Price £2.00.

NOTICE OF REDEMPTION					
EUROPEAN COAL AND STEEL COMMUNITY (ECSC)					
US \$ 25,000,000 8% 1977/86					
The Commission of the European Communities informs herewith the bondholders that a selection by lot for a principal amount of US \$ 240,000 has been made for redemption in the presence of a Notary Public on July 12, 1984 at the Luxembourg branch of the Société Générale Alsacienne de Banque.					
Number of bonds selected by lot:					
2296 to 2307	2585 to 2587	2590	3172 to 3173	3184	3215 to 3226
3311 to 3315	3317 to 3322	3374 to 3389	3450 to 3464	3504 to 3509	4596 to 4600
3501 to 3502	3503				
Principal amount unamortised after 1st September 1984: US \$ 4,000,000.					
From 1st September 1984 the bonds selected by lot will no longer bear interest.					
The Bonds presented for reimbursement should be accompanied by coupons of 1st September 1985 and following and will be payable in accordance with the terms and conditions shown on the bonds.					

Financial Times Conferences

WORLD AEROSPACE

Aerospace After the Recession
London, August 28, 29 and 30

This three day meeting just prior to the Farnborough International Air Show will bring together a distinguished panel of top executives from the world's major aerospace industries and regulatory authorities to address the theme "Aerospace After the Recession - where do we go from here?" The additional topics have been added to the programme: "Aerospace Manufacturing in the Developing World" will be reviewed by Mr. Ozires Silva, Chief Executive Officer, Embraer; "The Role of the Avionics Industry in World Aerospace" by Mr. J. E. Pateman, Managing Director, Marconi Avionics and "The Future for Guided Weapons" by Mr. B. J. Rosser from British Aerospace Dynamics Group.

All enquiries should be addressed to:

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UK NEWS

TRADE DEPARTMENT FREEZES SCHEME TO STRENGTHEN TIES WITH UNIVERSITIES

Industrial research plan shelved

BY PETER MARSH

SPENDING CUTS have forced the Department of Trade and Industry (DTI) to freeze until at least next April a scheme to strengthen research links between academic institutions and industry.

The plan, suggested in a report by the Government's scientific advisers last year and which until recently had the full backing of DTI officials, would have pumped up to £1m a year into projects such as science parks and measures to encourage the interchange of staff between the academic and commercial worlds.

Sir Alan Muir Wood, a leading engineer who was chairman of an advisory group that last June urged the Government to adopt the scheme, said he had been disappointed at the lack of official action.

Sir Alan, a former senior partner of Sir William Halcrow and Partners, the engineering company, said that the Government should give the "highest priority" to encouraging universities and polytechnics to do research more relevant to industry.

In the view of Sir Alan's group, the infrastructure fund would help to pay for joint academic-industrial research units and the provision of teams of officers to advise academic staffs on matters such as patents. The SERC cash, meanwhile, would permit educational institutions to continue with basic scientific studies that complement research aimed at solving specific industrial problems.

The Government has yet to respond formally to the Acard docu-

ment. Civil servants from both the DTI and the Education Department are considering the report. The DTI said that officials had been ready to support the plan for an "infrastructure fund" until budgetary restrictions ruled it out.

"We continue to think that the scheme was a good one, but it had to be stopped as a result of Treasury decisions. It will stay frozen until such time that the department is able to finance it in a reasonable way. This will not be until at least the start of the next financial year."

Prof Derek Smith, the chairman of a group called University Directors of Industrial Liaison (UDIL), said that in the absence of more money from the Government, people employed by universities to strengthen commercial links would "soldier on." Prof Smith, managing director of a company set up by London's Queen Mary College to do industrial work, said cash was needed to recruit more industrial liaison officers.

"We need to get university staff out of offices and on to the road to communicate with companies - and this is often not possible with present funding levels."

Prof Goddard said that universities should become more closely involved with industry as a way of

giving local companies new ideas for instance, product development and thus arresting economic decline in regions outside the relatively prosperous south-east.

● Universities should remove formal barriers that discourage staff from working for industry and should take their employees' commercial records into account when deciding on promotion.

These are likely to feature among the conclusions of a study to be published in the autumn on the growth of high-technology companies in Cambridge. The city provides the best example in Britain of the way in which an academic institution can nurture small businesses involved with novel applications of science and technology.

The area has some 300 small technology-based companies, a large proportion of which have started in the past five years and have links with the city's university officers.

An important finding from the study, conducted by Segal Quince & Associates, a company of consultants based in Cambridge, is that a high percentage of the new businesses were formed by people who were previously at the university or who worked for other small companies in the area.

France will supply half of Jersey's electricity needs

BY EDWARD OWEN

OVER TWO or three days in August, during the neap tides, about 275 metres on either side of the cable will be laid between Jersey and the Normandy coast to enable the island to draw half its electricity from the French national grid after April 1985.

The Jersey Electricity Company, in which the island government is the principal shareholder, is spending about £13.5m on the project.

Under agreements dating back to the last century, Jersey shares a *mer commune* with France to the east and south of the island in which each has traditional fishing rights. Over the years, however, the two sides' view of the common sea have diverged.

A Geneva court of arbitration gave its ruling in 1977 on the division of the Continental shelf between Britain and France. Laying of the land cable to Jersey's La Collette power station is in progress, and should be completed by the end of January.

The £2.25m contract for manufacturing and installing the land cable went to Pirelli General in England, and the £5.5m contract for the sea cable was won by the French company Cables de Lyon.

For most of its length, the cable will be laid on the sea bed with only about 1 km at each end buried. The

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MANAGEMENT

IT WAS a quiet Friday in the Düsseldorf trading room of R.P. Martin, the world's largest broker of dollar-Deutschmark foreign exchange. A dozen dealers at a ring of desks bellowed at each other across huge banks of telephones, lights flashed and squawk boxes from bank dealing rooms added to the din.

"Don't be deceived," said Peter Endres, the senior executive. "If it was really busy, you wouldn't be able to hear me speak."

R.P. Martin got to the top of the world's busiest currency market through its 1981 merger with Bierbaum, the leading West German broker. Dollar-DM trades account for over two-thirds of the \$30 billion (million million) dollars that change hands each year in foreign exchange, and a good chunk of that passes over R.P. Martin's technology-crammed desks.

But despite this enviable market share, Martin is widely viewed in the broking business as a company in trouble. Rumours are current in the gossipy trading rooms fuelled by the dramatic resignation last year of Michael Phelan, the chief executive in London who put the merger together, and there is talk of massive rows with the Germans. Earnings have been patchy. And invidious comparisons are constantly drawn with Martin's much more visible and glamorous competitors, Exco and Mercantile House, whose daring tactics and acquisitive appetites make it look timid, even dull.

"We are not Exco and Mercantile House, and we don't intend to be," says David McWilliam, the new managing director appointed only four months ago to give the company a fresh impetus and fill an extended hiatus, the gap left by Phelan.

A quiet, well-groomed former naval officer, he could hardly stand out in a room of barrow boy atmosphere of the dealing rooms. But he has 20 years of City experience behind him in broking, the discount market, treasury management and most recently as head of the international division of MasterCard International. He comes with the reputation, as a former colleague puts it, of being "very bright."

McWilliam's problem is only too plain: Martin's business is over 90 per cent foreign exchange and money broking, which is fine when the markets are busy and commissions keep rolling in, but not so great when they are slack. Brokers have huge fixed costs: Martin's communications costs alone run to £5m a year.



David McWilliams: communications alone cost his company £5m a year Trevor Humphries

Lessening the risk in a risky business

R. P. Martin is strong as a money and foreign exchange broker, but little else.

David Lascelles reports on its plans to diversify

On top of that, the explosive growth in money markets of the 1980s is over. Competition is intense and the big international banks constantly threaten to cut brokers out of deals they feel can easily do themselves. About half the world foreign exchange turnover goes through brokers rather than directly between banks, but opinions differ widely as to whether that share is set to rise or fall.

The slump in Martin's share price has also made it vulnerable to takeover; its market capitalisation, which once stood at over £40m is now down to £26m which means, among other things, that it missed the opportunity to cash in on a strong share price to finance expansion like its big rivals, though Martin's stock is now up from its lows.

But even if Martin was big enough to emulate Exco and Mercantile House, McWilliam

does not see it becoming a financial supermarket by buying up other businesses like stockbrokers or discount houses, or even moving into trading as principal rather than an agent. "That's not how people shop," he says. "They go to different institutions for different services." He argues that the recent weakness in Mercantile House's share price reflects growing shareholder disenchantment with the notion of financial conglomerates and the regular dilution of stock through paper-financed takeovers. Martin's own share price, he claims, has begun to strengthen because comparisons look more favourable.

Instead, McWilliam uses the analogy of onion skins: he wants to build up new businesses round a well-established core. "We want new services for our existing customers and new customers for our existing services."

The ventures he is looking at include dealing in currency options, futures, banking (especially with cash-strapped Third World countries), manufacturing and supplying telecommunications and trading room equipment, and possibly setting up a clearing house for information about available export finance.

If he takes the plunge, it will be mainly by starting up Martin's own companies rather than through acquisition. "You buy a lot of goodwill when you buy a service company, and if you're not careful it can walk straight out of the door," he says. But he does not rule out acquisition if the right opportunity turns up.

Modest goals, possibly, in a business that trades on the dramatic and glamorous, but McWilliam expects that Martin's dependence on non-broking sources will rise substantially in the years ahead.

But sensitivities are involved. One reason for Phelan's departure, it is believed, is that he clashed with the Bierbaum people over diversification plans and how they should be financed. The German end, headed by Endres who is executive vice-chairman of the group, owns 45 per cent of Martin stock which it votes through a German Voting Trust. This gives Bierbaum effective control over the whole company which it presumably does not wish to see diluted more than absolutely necessary. The remaining stock is owned 9.5 per cent by Touche Ross, 10.5 per cent by the Merchant Navy Officers' Pension Fund and the rest by smaller shareholders.

Endres, a former trader with striking golden hair and beard, proclaims himself enthusiastic about the tie-up and, like McWilliam, denies any talk of a rift. "We are a united group and we completely support what David is trying to do. That is why we hired him."

His task is to develop the banking side of the business where it still sees scope for growth despite the pressures. He believes Martin must become stronger in currencies other than the DM, specially the yen, now the fastest-growing market. But that means getting a foothold in Tokyo which can only be accomplished by forging an alliance with a Japanese firm because of the controls on foreign entry. Martin has been talking for some time with Japanese brokers, but says Endres, "it moves slowly."

He also wants to beef up Martin's share of the sterling market, one of its weak areas, and build up deposit broking, which is less hectic than foreign exchange and where market share may be easier to win. He sees potential in trading Scandinavian currencies and the ECUs. All this could mean averaging down the very high rates of return Bierbaum earns in its German business, but in the interests of longer term growth.

The key question all brokers will have to address soon, though, is whether to make the leap and deal directly with corporations, instead of through banks who jealously guard their role as intermediaries.

This is already happening to some extent in the U.S. But in Europe brokers have been wary of upsetting banks and losing their business. "Banks are very sensitive about their relationships," says Mr Endres. "But I believe pressure for change will come from the companies themselves in the end." When it does, of course, it will bring a string of new customers for all brokers.

Long range research

Collaboration is the key

David Fishlock talks to Eduard Pannenborg, an EEC special advisor

"IN DEVELOPMENT you can co-operate with people you don't like. You can't research. You must have interaction, and that can only be done on the basis of deep mutual respect between individuals."

That is the conviction of Dr A.E. (Eduard) Pannenborg, the genial Dutch physicist who has just retired from the management board of Philips, the electronics and domestic appliances manufacturer, after 30 years spent in shaping its technical strategy and forging bonds between research scientists. As a small boy he dreamt of being a mayor. Instead, at 62, he becomes chairman of the supervisory board of the largest of Philips' operating companies, in the Netherlands, with 63,000 employees; and an honorary professor in research management at Delft University, *its alma mater*.

In Pannenborg's past year as vice-president and vice-chairman of the board, Philips spent £70m on research and development, 7.3 per cent of sales. Now he moved on to become special adviser on information technology to Viscount Davignon of the EEC.

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twice as far away, got off to a flying start in the late-1970s with such aids as electronic mail and time-shared computers to shorten the lines of communication.

But he has been thwarted by Japan. Japan is a different problem, he says. Philips has no research centre there, "though I'd love to." But the company has no manufacturing base in Japan either and he sees this as a prerequisite of successful industrial research in any country.

Moreover, the academic community in Japan is every bit as insular as the Cambridge community in Britain—closed as a shell, cannot afford to break into.

Pannenborg began to learn the harsh lessons of research collaboration as a research physicist of 33. He had fought the Germans as a British officer and then taken his PhD before joining Philips in 1952. In 1955 he was asked to set up a Philips research laboratory at Aachen in West Germany, as a new step in a systematic process of internationalising Philips' research.

He admits that he agonised over the decision. "But by saying no you do no one any good." Life in German society proved far from easy. It was five years before he began to feel at home in post-war Germany.

"A basic characteristic of development is that people agree beforehand what is to be done," Pannenborg says. "You can apportion resources, set schedules, organise it "on hard lines." You don't have to like your collaborators in a development project.

"To my mind Esprit is first and foremost an exercise in international co-operation within the Common Market area, and monetary assistance to industry is only secondary." Nonetheless, even Philips, with its "unusual record of much emphasis on long-term research," has tended to neglect truly long-term research a little under the pressure of economic necessity, he says.

Pannenborg put forward his views of the underlying importance and urgency of technical co-operation in Europe in a paper commissioned by the European Industrial Research Managers Association, a club of executives from Europe's leading science-based companies.

He was warned of the dangers with fast-changing technologies of finding you have R and D located in a country which no longer represents the most advanced demand. Philips itself had found this in the case of West Germany and office computers, he admitted.

Pannenborg also suggested that Europe has far to go in trying to overcome the kind of chauvinism which, he says, delayed Esprit last year because Britain was keener to get its related Alvey long-range research programme on the thinking computer launched first.

TECHNOLOGY

LARGE SCALE BUILDING DESIGN PROJECT WILL RELY ON ELECTRONIC AIDS

Architects succumb to computer plots

BY ALASTAIR GUILDF

ARCHITECTS will not now be given larger scale projects, in many cases unless they possess computer aided draughting (CAD). The latest figures on computer use by architects suggest that this is now a far greater option for clients than it was in 1980. Then, only a handful of CAD systems were in use by architects. Now there is at least a 10 fold increase.

Most architects with computers use them for word processing, accounting and cost planning. As might have been expected, it is those practices with 52 or more members of staff which have invested most heavily in CAD. But the picture is changing.

"Most of those practices thinking of investing in £100,000 CAD systems have already done so," says Mr Ian Hamilton of the Construction Industry Computing Association. "System vendors now feel that the new expanded market is for draughting systems costing around £50,000."

However, there is still a danger that architects may yet be won over by computers in some way, for £20,000 or £30,000 spent on a good micro-computer they are buying a draughting system comparable with more expensive equipment."

One of the most distinctive characteristics of the more expensive CAD system is the size of its database. Without this large database, CAD systems could not have the impact that they are already having on the way architects work, particularly within large, multi-disciplinary practices.

"The database," explains Mr Hamilton, "can be thought of as the mathematical 'model' of the building's representation of the graphical and other information that is provided by the traditional drawing."

A great deal of design time can be lost using conventional methods as proposals are passed to and fro between the architect's and the other specialist members of the design team.

With drawings held by the computer as numerical models, rather than graphical representations, each profession can extract selectively and operate on information created as a drawing by another member of the building team.

Building services engineers and structural engineers, for example, may only require outline drawings to be extracted from the architect's general

arrangement drawings. If the drawings of all members of the team are based on the same base data, then the computer can incorporate any changes into these outline drawings into the general arrangement drawings.

Different firms of consultants, architects and structural engineers working on the same project, for example, may also exchange data by way of magnetic tape. Providing they use the same draughting system, any changes may be incorporated onto the base drawings held on the magnetic disc.

Scott, Brownrigg and Turner are the architects for the new Terminal 4 building at Heathrow. The firm invested initially in a draughting system to ease the resulting workload. "Once you have to look at drawings over a long lifespan," explains SET's Mr Chris Blom, "then it is worth having CAD drawings in the central processor. This has helped us to keep track of alterations to thousands of drawings."

"Accurate setting out of roads and aircraft taxiways and aprons contributed to the multi-disciplinary use of our drawings. Tailor-made plots were supplied to mechanical engineers for the addition of ductwork layouts, for example."

The designer is now able to "walk around" a three-dimensional representation of the building, looking at it from different heights and angles, helping in the assessment of the likely environmental impact of a building once completed.

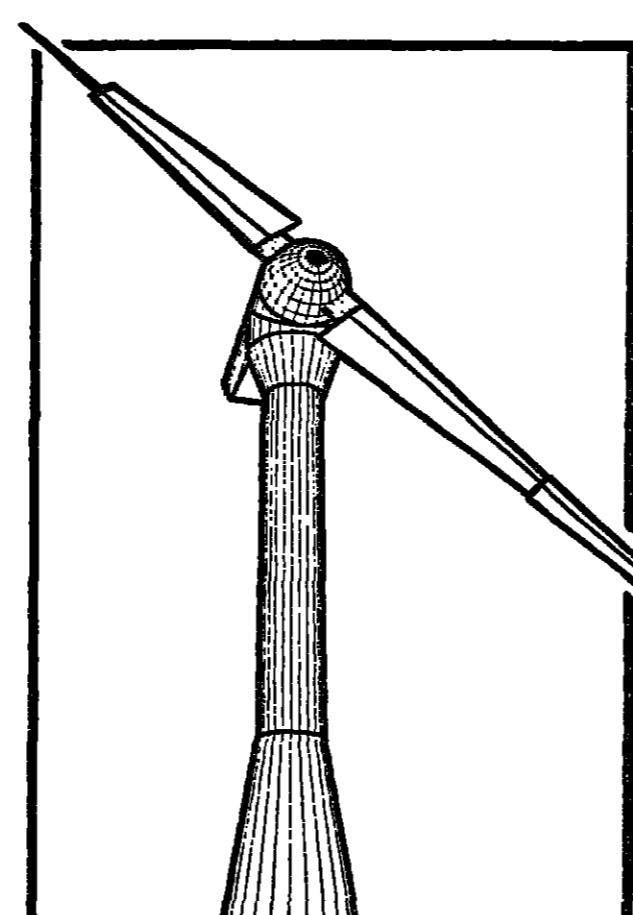
The designer is now able to "walk around" a three-dimensional representation of the building, looking at it from different heights and angles, helping in the assessment of the likely environmental impact of a building once completed.

Some of the larger practices, such as YRM, are considering renting their own terminals to other consultants working on large projects. This should encourage greater standardisation of software and hardware.

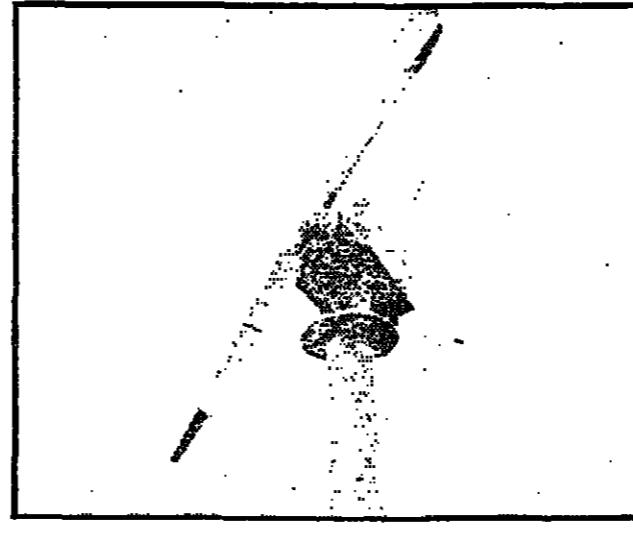
Impetus may also come, for example, from the greater availability of networks, enabling clusters of workstations in one office to exchange information with workstations in another office.

The computer can automatically ensure, for example, that as a design develops, so the building materials can arrive on site in the right order. By changing an element of the building graphically, the computer automatically updates the schedule.

The building industry needs first to speak with one voice about its software needs, to adopt common standards for data transfer, and to encourage compatibility of systems.



The 30m diameter wind turbine now in operation on the Orkneys (below) was conceived by computer aided design as above



WASTE CONTROL

Plastics recycling

BY JOOST VAN KASTEREN

STEADY INCREASES in plastic consumption will provide an incentive to recycle more plastic waste. Though there are several established recycling methods, new techniques are emerging for plastics waste in separation, remelting, pyrolysis and rubber tyres. This gives a gaseous and a liquid fuel, which can be used in an industrial furnace. The 7,000 tonnes a year pilot plant has recently come into operation. Studies were done at Hamburg University to develop fluidised bed ovens for this process.

With such a variety of plastics produced, recycling with mixtures of materials can give a poor quality product. Some companies such as the Dutch Lankhorst, convert by remelting industrial plastic waste into fencing poles and highway reflector signs. These products are about 15 per cent more expensive than their wooden counterparts, but are not do not rot.

Before more sophisticated technology can be applied, plastic waste has to be physically separated. Some public collection schemes exist in Europe. Several domestic wastes have caused such problems that some pilot projects have been abandoned or undergone drastic changes. For example, VAM, a Dutch refuse company, found it difficult to separate plastic from glass fraction, such as paper, in waste. It is rebuildable installation.

In Vienna a different plant capable of handling 18,000 tonnes annually was recently closed.

ESMIL in the Netherlands has built a separation plant which extracts a tiny part of the plastic fraction which can be reused as new, while the rest of the waste is converted into fuel.

MOTOR ENGINES

Improved petrol combustion

TOYOTA HAS developed a lean combustion technique for petrol engines and is already using it in production models of the 1.6 litre Corolla for the Japanese home market.

Completeness of combustion is measured using a new design of ceramic sensor in the exhaust manifold. The sensor sends its information to a computer which in turn controls a high performance electronic ignition system and independent fuel injection for each cylinder. A helical injection port is used to give swirl in the cylinder for better combustion.

The company says that previous attempts to reduce exhaust emission through weakening of the mixture before about 16:1 have failed because, at ratios lean enough to be effective, combustion became unstable. The alternative approach says the company, in which a catalytic converter gets rid of the combustion products, results in poor fuel economy.



Electricity Electronics meters

THE DEPARTMENT of Energy has approved the design of a Thorn-EMI Dynatrac microprocessor based counter which is attached to conventional electricity meters. The unit has been developed to allow the electricity utilities to offer consumers a wider range of tariffs.

With this electronic unit, there is more flexibility because it is easier to program the necessary tariff band requested by the user.

The unit can count the number of units of electricity consumed, as well as the total unit used. It is linked to the credit meter by an optoelectric transducer.

The unit's memory can store up to one year's data on electricity consumption. More details from the company in Treorchy, Mid Glamorgan on 0443 485273.

Communications

Error control

A PAIR OF devices which can be attached to each end of a telephone line used for data transmission and which promises error-free information flow has been launched by Motorola Information Systems, a recently formed Motorola company, in the UK.

These error control units, as Motorola calls them, are a variation on the automatic retransmission on error (ARQ) theme. A copy of the data sent is held at the transmitting end in the buffer memory. Blocks of data which have not been received correctly — a checking package is sent with each data unit — within a certain time are transmitted until the data is successfully received.

The units, which cost £355, are intended for systems where there is no internal ARQ facility: IBM, ICL, DEC, Wang and other equipment can be attached.

FINANCIALTIMES

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Monday July 23 1984

The battle for the miners

THE END of the dockers' strike is a welcome relief to the Thatcher Government, but it does not alter in any fundamental way the balance of forces in the mining dispute. Mr Arthur Scargill, president of the National Union of Mineworkers, has always believed that the miners can win the strike on their own. In his view, neither the defection of Nottinghamshire nor the lack of support from other unions (in the steelworkers' case, active opposition) will shake the determination of the majority in the NUM to fight to the finish.

There is some evidence to support this view from the striking areas. While violence and intimidation are an important part of Mr Scargill's tactics, there is also the traditional loyalty to the NUM and a genuine resentment about pit closures. The clear determination of Mr Ian MacGregor to apply hard commercial principles to the coal industry has probably sharpened the feeling of isolation and defensiveness in the mining villages.

Monopoly power

A similar set of attitudes has traditionally characterised the dockers, but in this industry changes in technology and in the pattern of freight movement, bringing rapid growth to ports with no tradition of militancy, has probably weakened union solidarity. Although the union was able to close the industry down with remarkable speed, support for the action in ports like Dover and Felixstowe was lukewarm at most.

Two factors — monopoly power over an essential good or service and a sense of separateness from the rest of the community — have given the miners and the dockers both a great deal of industrial power and the will to use it. Any long-term strategy for reducing or removing this threat has to operate on both levels. It is not possible, at least in the short term, to create in coal the sort of market conditions which exist in steel where, despite an over-dominant British Steel Corporation, customers are numerous and can switch quite easily to alternative suppliers. But a

diversification of energy sources in the electricity supply industry, greater freedom to import, and perhaps changes in the structure and ownership of the industry, will gradually remove the cocoon of protection which is the basis of the NUM's strength.

At the same time the Government has to recognise, perhaps more explicitly and imaginatively than it has done so far, that pit closures do cause social problems and that greater efforts have to be made to create new sources of employment in the mining districts. The ultimate aim must be to integrate the coal mining areas with the rest of the community and that can come only through more varied job opportunities.

As for the immediate prospects and the propaganda campaign that is now under way, the Government has to reckon with the residue of public sympathy with the miners and their way of life, and perhaps with a feeling that Mr Scargill and Mr MacGregor are as obstinate as each other and are both to blame for the present situation. Ministers have to persuade the public and the trade union movement that giving in to Mr Scargill on the issue of pit closures will impose a heavy cost on the country as a whole, that subsidised high-cost coal means fewer jobs for other people. The link between profitability, investment and jobs is still poorly understood in Britain, and the concept is of course anathema to Mr Scargill. As he told his Yorkshire miners in 1975: "The capitalist society belongs in the dustbin of history."

This is reflected throughout the marketplace. Today's trendsetting Sloane Ranger will have not a trace of polyester on her well-exercised figure. Her mother's furs will stay firmly in the cupboard and while her less well-heeled counterparts are sipping Tab and Diet Pepsi, she is drinking pure orange juice and shunning sugar.

There is no question but that the British are eating less overall. UK average calorific intake reached a peak in the early 1960s of nearly 3,200 calories a day. Two decades later it had dropped to less than 2,800. Fat consumption hit 87 grams a day in 1960, but dropped to 81 in the early 1980s. Most forecasters seem now to suggest that these swings will accelerate.

These figures come from the recent report from the Government's own Committee on Medical Aspects of Food. Health, a report which underlined other warnings on fats, salt and sugar.

The change in Britain's eating habits makes daunting reading for farmers, food manufacturers and retailers who have to decide whether this is a passing phase or a permanent shift in the market.

It is too early to tell whether, by his amnesty, General Jaruzelski will capture the middle ground of Polish public opinion that he needs to sustain the healing of Poland's wounds. The Catholic Church, both in Poland and in the Vatican, has kept up steady pressure for an amnesty, and it will now probably give the Government an easier ride. But Mr Walesa will not. He has called the amnesty meaningless without revival of some form of independent trade activity.

What is clear is that the West now needs to change its original strategy, which has largely been overtaken by events. At the start of 1982 it imposed three measures — no rescheduling of Poland's official debt, no new official trade credit and no high-level political contacts — until three conditions were met — an end to martial law, release of political prisoners, and reconstitution of a dialogue between government, church and a free trade union movement.

One of these sanctions, a freeze on debt rescheduling, has been dropped earlier this year, because it proved counterproductive to western economic interests. Now that two of the three western preconditions have been met, there is a case for dropping more of the sanctions.

In fact, most West European governments have been pressing for this for several months. They have argued that a "political freeze" on new credit for Poland adds nothing to the economic situation that it is not creditworthy anyway. They have also begun to feel that political ostracism of Warsaw is doing more harm than good, and that by reopening a "critical dialogue" with the Jaruzelski Government they can effect more pressure and persuasion within rather than without. Two Nato allies, West Germany and Greece, have been straining at the leash to send top ministers to Warsaw in order to open this dialogue.

The brake on western movement has been President Reagan, and the particular fear of his political advisers that any dismantling of sanctions would backfire badly on his re-election campaign, if the four KOR and seven Solidarity leaders were put on trial or kept in prison. The weekend amnesty should have removed that fear.

HEALTH IS definitely big business. As beef sales are tumbling in much of the Western world, training shoes take over from sandals on the feet of the energetic young and diet soft drinks push their way into the upper range of the best-sellers lists. Manufacturers and retailers are starting to take the health life-style very seriously.

Marks and Spencer has launched a new range of fibre-rich breakfast foods; health clubs and dance studios are sprouting in urban centres and making millionaires out of sleek ex-mods; even bread and butter retailers like British Home Stores and C & A are regularly enlarging their health-oriented clothing sections.

"Our customers do not want to have just finished five sets with McEnroe or run five miles, but they do want to look as if they have," says a BEIS executive.

It may be full of success stories, but the health business is a confused one. The bran brigade and the weight conscious may overlap yet they are not necessarily identical markets — slimmers often use chemical additives, like caffeine and cyclamates, which are antithetical to those who believe salvation comes with pulses and wholewheat flour.

There is a general contradiction, too. While health food shops mushroom, so do calorie-rich fast food outlets. But by large there is a significant move towards people wanting to be slimmer and fitter and aware of what foods contain "More and more people are looking closely at labels," says Safeway Food Stores. "We are under pressure, and are putting pressure on manufacturers, to give much more information about contents than is required by law. Consumers want to know."

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BRITAIN'S BOOMING HEALTH BUSINESS

Fitness and fat, fat profits

By Arthur Sandles



Debbie Moore of Pineapple studios and an advertisement

THE CHALLENGE

Del Monte challenge you to face the medical facts on excessive salt intake:

- Our intake of Sodium can be 5 times higher than we actually need.
- Higher Sodium levels have been directly linked to increased incidence of high blood pressure.
- 50% of Sodium intake comes from processed foods.

WE'RE CONFIDENT...

that Del Monte's NO SALT ADDED CANNED VEGETABLES will help you meet the challenge — cut your salt intake. Look for the red stripe Del Monte cans in your local supermarket.

To help you, we've got two great money-saving offers.

ment for the latest cans of "no salt added" vegetables

past few years. Government statistics suggest that in 1981 we were each drinking about 4 oz of it a week. Last year that rose to an average of 5.20 oz a week.

Apart from the fall in beef consumption (average consumption is a head is a little over 1 lb a year less than in 1982), sugar sales have dropped (from 36 lb a year to 31.56 since 1981) and so has the use of flour (from 5.96 oz a week in 1981 to 4.97 last year).

Meanwhile sales of fresh fish have zoomed, as well as the consumption of what a few years ago would have been re-

(up 15 per cent in 1983), crisp-breads (11 per cent), fresh fruit (9 per cent), yoghurt (up 12 per cent) and low fat milk products (22 per cent), suggesting that the much heralded trend to healthy eating is finally having an impact on the structure of food demand."

The report adds that, there are "clear signs" that the British consumer is becoming more discerning in the choice, quality and nutritional value of the foods consumed, and this will have a significant impact on the future pattern of food spending."

The changes appear more dramatic in the U.S. Over the past decade the average American has reduced intake of meat, eggs and dairy produce by 14 lb a year, while his or her consumption of fresh vegetables, fruit and cereals has risen by 38 lb a year.

In both Britain and the U.S. the new eating habits have given big manufacturers like Heinz and General Foods a marketing problem. How do you launch products promoting health without implying criticism of sugar- and salt-enriched foods which are the backbone of the business? The dilemma is one of contradictory theory and advice.

At one extreme, there is a lobby which sees the dietary wrangle as similar to that which raged 15 years ago over the link between smoking and cancer. This group points to the recent report by the National Advisory Committee on Nutrition Education, which after weight to the view that food manufacturers should be the last people to be trusted with Britain's nutritional needs. The Government is being urged to ensure that all products carry, for example, precise details on the amounts of cholesterol-rich animal fats in them.

On the other hand there is the food industry, largely represented by the British Nutrition Foundation.

Broadly the industry believes that only surfeits of particular items cause harm and that normal eating of the products on supermarket shelves will give the consumer no cause for alarm. The sugar and butter lobbies have separate campaigns aimed at demonstrating that taken in reasonable quantities their products, being "natural," are far from good for you.

The big manufacturers have moved heavily into the slimming market and are doing the same with health foods. Nestle, through its Crosse and Blackwell subsidiary, has been making big inroads into the oil-free market for salads and dressings with its Waitrose range. Another Nestle subsidiary, Chambord, has been experimenting with non-sugar-sweetened fruit yoghurts low in fat.

Rank Hovis MacDougall has developed the Energy range from its crispbread base to soft drinks, low-calorie jams, and its bread best-seller, Nimble, which is also low in calories.

Ross, an Imperial Foods subsidiary, has the Weight Watchers franchise for a wide range of timed fruits, kefir, soft drinks, muesli, frozen foods and others. Boots has placed all its slimming products under the label Shapers instead of labelling goods low calorie as in the past.

The slimming business has sprung from a range of successful magazines. Slimming, Successful Slimming, Slimmer and What Diet all compete on an expanding section of the newsagents' shelves. Here's Health, Healthy Now and Healthy Living cater for the more active and the enthusiasts turn to Work Out, New Health and Fitness for the latest aerobic turnout.

Meanwhile, conventional magazines are devoting more and more space to health and health-related products like

clothing styles, some printing regular pull-out sections—for example, Cosmopolitan's Zest.

Many credit television for stimulating the need for people to look and feel good. The temptation is to emulate the beautiful people on the living room screen. So the influence of Jane Fonda and her workouts spread and the popularity of mad-Lizzie and Green Goddesses of British breakfast television are enormous.

The most obvious effects have been the spread of work-out and dance clothing to High Streets up and down the country and the rush to build health clubs.

A steak may soon be enjoyed only by consenting adults

and Nike have followed at different market levels.

"Real sporting enthusiasts tend to go to the specialist sports shop," says British Home Stores. "There they can get the brands, and in many sports the brand of clothing you wear is very important. We do not care for that market. Our people simply want to look as if they play those games."

That market is so dominant that a customer browsing at British Shoe Corporation shops in Oxford Street, London, would find it difficult to find leisure shoes that do not owe some allegiance to running, hardy walking or mountain climbing. In summer the British look as if they have just completed a jogging circuit and in winter, with their anoraks, as if they had just finished skiing.

Many manufacturers have chosen to link their products to the health revolution via sponsorship, particularly—and with some piquancy—drink and tobacco companies. Alcohol and tobacco account for an estimated £40m-plus in sports sponsorship in Britain. Some tobacco groups, such as Peter Stuyvesant and Marlboro, have also moved into tour operating—offering, of course, healthy trips to "activity" holidays in fresh foreign air.

At least 25 companies paid between £25,000 and £250,000 to be connected with Britain's Olympic effort this year. They include Budget Rent a Car, American Express and Harrods, and all say the combination of mad-Lizzie and Green Goddesses of British breakfast television are enormous.

But it is in food that the trend is moving fastest and gathering speed. The latest range to move from a "fad" to the main business sector is organically grown vegetables. "We cannot get enough," says Sainsbury.

If the trend continues, meat serving restaurants could go the same way as smoking cars on London's underground railway. A steak will be enjoyed only by consenting adults in the privacy of their rooms, and salt will be added at the risk of invalidating National Health Service entitlements. With pulse machines already dotting Britain's high streets, and blood pressure measures a fixture of the American shopping mall, such predictions may not be mere hyperbole in a few years. Switching from beef to bean sprouts would require an organic change in EEC farm policy.

But the long-term implications are also considerable. If eating habits, and thus farming and food manufacturing, change, then the end result should be longer active lives—otherwise, what's the point? This produces social implications of retirement ages, pension funding and care for elderly whose decline may take considerably longer than it does today. Whatever its consequences may say, Government itself is being lukewarm at the moment. Given the potential for political controversy involved, this is hardly surprising for these are issues which could seriously damage a Government's health.

Men and Matters

water to and fro in a space version of a bath (assuming one could be rigged up under zero gravity) could disrupt the movement of the craft.

If the British experiment goes ahead, the UK space voyager would fix instruments to the side of a vessel filled with liquid and monitor the response.

It does not sound quite as elaborate as the scheme already made by Soviet cosmonauts with vodka. But they are now banned from taking the liquor into space after engineers found that vapour from the vodka-swilling space travellers' breath interfered with electrical equipment in their space capsules.

These initiatives don't involve special interest treatment of any sort," Reagan explained reassuringly. "What they come down to is a policy designed to do away with laws that inadvertently discriminate against companies that do business in space rather than on the ground."

That should impress a few floating voters...

I think that part of the taxes my husband pays goes into the fund to keep those old men in useless jobs."

True romance

Being a civil servant, even in these straitened days of public expenditure and staffing cuts, has its moments.

"Public Service," the journal of the 800,000-strong National and Local Government Officers' Association, reports in its latest issue that the men and women from the ministries are worried about the polygraph, or lie detector, spreading its tentacles out from the Government communication headquarters in Cheltenham to embrace all of the service.

The machine, or "wallygraph" as Nalgo's journal renames it, is, it claims, "quite unreliable in sorting out lies from the truth and the guilty from the innocent."

After doing some in-depth research into ways of foiling the instrument, Public Service has discovered some advice offered by a member of the Commons select committee investigating lie detection: "think erotic thoughts while being questioned."

Trust an MP who has had to cope with staying awake during all-night sittings to come up with that one. If the practice becomes general, the most hotly sought-after post in the civil service will be that of polygraph operator.

Chat show

Now I know London's tourist season has started. Lost in the wilds of Hammersmith, a large American lady grabbed a pram-pushing local and yelled desparately: "Hey, do you speak English?"

Human bondage

What is the difference between a Eurobond deal and a Eurobond dealer? —A Eurobond deal matures.

Observer

Mrs Thatcher was commenting on the remarkable success of a company which was expanding into its own 100,000 sq ft factory in Peterborough

FOREIGN AFFAIRS

Jacques Delors' dilemma

By Ian Davidson

EVERYBODY is very pleased at the choice of Jacques Delors to be the next president of the European Commission in Brussels. Well, almost everybody. The Belgian Viscount Davignon, for one, wouldn't have minded the job himself, and until Delors' name was put forward, looked much the most plausible candidate in the field.

Still, fair do's. In a Community as disunited as this one, it is inevitable that the plumb jobs are allocated in much the same way as the policy issues are decided: partly on the merits of the case, but more on the basis of national leverage.

Each of the three Benelux countries has had the presidency once, and so has each of the big four—Germany, France, Italy and Britain. It was generally accepted that the Germans, who had provided the first Commission president in 1958, in the person of Walter Hallstein, were now entitled to another turn; but since they couldn't come up with a plausible candidate, the field was open to the strongest combination of merit and leverage. The strength of France's claim as a big country, a second term, combined with the credentials of Jacques Delors as a leading French minister, made it an open-and-shut case.

But is it important to anyone except Jacques Delors? Does it much matter who occupies the well-padded seats in Brussels? In the early days of the Community, one would have automatically assumed that the answer to the question must be yes, because of the Commission's role in the Community's decision-making process. Although the Council of Ministers takes all the important decisions, the Rome Treaty gives the Commission the exclusive right to put forward proposals for debate and decision. According to the book, therefore, the Commission must have a very important role, and it must be important who occupies the presidency.

In practice, however, the record of a quarter of a century of Community history suggests that the formal position only corresponds to the real position in certain circumstances. The importance of the Commission and the influence of its president, vary according to the



M Delors at the EEC Commission headquarters

tramlines of explicit obligations laid down by the Rome Treaty.

Hallstein's successors had neither of these advantages. The return to power in 1958 of General de Gaulle was an immediate threat to the euphoria of those who hoped that the Community's institutional arrangements—the independent role of the Commission, the provision for progress towards more majority voting in the Council of Ministers—were a blueprint for movement towards a potentially confederal Europe; the threat became manifest with the French veto on British membership in 1963, and lethal with the 1965-66 crisis over majority voting and Community financing.

Secondly, by the end of the 1960s, the tramlines of strict treaty targets and deadlines had petered out. Either the member states had carried out their obligations (the customs union), or they had made it plain that they were not going to (a free market in financial and other services); from now on, further progress depended on improvisation, imagination, persuasion and goodwill—and the legacy of de Gaulle ensured that there was no goodwill, at least not enough to overcome the illusions of national vested interests.

Roy Jenkins benefited from luck and good judgment: luck in the shape of the close alliance between Giscard d'E斯塔ing and Helmut Schmidt, and good judgment in spotting that they could be interested in strengthening currency co-ordination between the member states, despite the opposition of the Bundesbank.

In the five years since the European Monetary System was launched, the Committee has been largely preoccupied with the steady deflationary crisis over finance, the costs of the farm policy and Britain's budget.

It may well be asked whether the erosion of Commission influence is by now irreversible, but there is a sense in which the question misses the point, because it is based on the old illusion that the Commission was ever the *motor for progress*. In the uncharted waters facing the Community now, the objectives can only be fixed by the member states; if they or at least the biggest of them reach a consensus on where they want the enterprise to go, that is where it will go—probably.

So the question facing Jacques Delors is whether he can have the luck and good judgment of Roy Jenkins, to identify an idea whose hour has come or a strategy that fits the mood of the times, so that he can have some achievement to mark on his curriculum vitae when he returns to French politics. His dilemma is that most of the familiar horses in the stable are either clapped-out nags which ought to be put down, or else eccentric brutes which should disgrace the political honour of anyone who dared to ride them. There may only be two promising strategies; but the first risks dying in the face of received Community dogma, and both of them risk leaving the Commission on the sidelines.

There is no future in any policy which involves spending large amounts of money: the budget simply will not run to it. The common agricultural policy will be a cause of pain and grief for years to come, and the regional and social funds can only have marginal effects. A revival of the idea of economic and monetary union looks glamorous and ambitious, but it touches the question of national sovereignty on the quick in every capital. Joint hi-tech research programmes, such as the Esprit project for information technology, could have a certain fashionable appeal, but it is probably not a horse to

put a lot of money on.

By contrast, the most promising strategy, and the one that appears in principle to command the widest acceptance, would be the reduction or removal of the many remaining obstacles to trade in goods and services between the member states. This horse is likely to run best if it is not hobbled by laborious and much-ridiculed efforts of Community harmonisation, eg on the noise of lawnmowers or the ingredients of Euro-beer. France and Germany have set one example of the kind of thing to be aimed at, by reducing formalities at their common frontier; Britain another, by its attempt to bust the European air fares cartel through a deal with Holland. In this case, as in a high-speed race, the lead is that the process of liberalisation cannot be held up on any given issue by the most protectionist member state: by analogy, it is akin to majority voting in action rather than round the conference table. The trouble is that it infringes all Community orthodoxy, and unless it forces recalcitrant member states to reconsider their protectionisms, it will do the Commission out of a job.

The other plausible European strategy is one which starts, not with the nuts-and-bolts at the bottom, but with the common political objectives of the member states at the top. This is very much the British Government's formulation in its recent policy paper to the other member states: Europe must work towards a common foreign policy; Europe must strengthen its contribution to its own defence; therefore, Europe must co-operate in defence procurement and resource allocation; therefore, Europe must strengthen its industrial and technological base through the liberalisation of the internal market.

There is no necessary conflict between liberalisation *a la carte*, and defence and foreign policy co-operation. On the contrary, the former is likely to be facilitated if there is a big push from the political imperatives—if enough of the big governments see the political imperatives the same way. But if the European enterprise were to move along these two axes, Jacques Delors might be left to preside over the containment of the farm policy and the run-down of the steel industry.

Lombard**High time to fight back**

By Samuel Brittan

THERE IS one issue which dwarfs all others in the miners' strike. This is the use of violence and intimidation by a militant minority to terrify fellow workers who do not wish to follow the lead of Arthur Scargill. Thanks to embattled miners have been able to work. But despite the welcome use of special police patrols and the drafting of stipendiary magistrates to speed up the trial of those accused of violent behaviour, fear and terrorism have not disappeared. Only last Friday a coroner reported on the suicide of a worker whose daughter had been threatened. Nor is the violence on the part of the strike-breaking truck drivers any more.

The sight of Neil Kinnock and Arthur Scargill embracing on the same platform who brief the media towards open-ended Board propaganda or sources within the board who brief the media towards open-ended Board publicity should be of a more professional standard than the advertisements which a friend of mine in the field called "mind boggling boring" and then faulted on every point. And it should not be left to MacGregor's television skills, or lack of them, to combat the instant access to that medium, which Scargill has been so uniformly successful in.

Second, instead of sanctioning particular deals, the Government should permit the free import of coal powd and fuel oil.

Third, a start should be made on the closing of uneconomic mines, together with payment of redundancy money to miners who accept it, even if they are on strike.

Fourth, the green light needs to be given to any concern, nationalised or other, which wants to take any union to court for secondary picketing.

Fifth, the main issue is not one of loss-making pits or of the economic effect of unions about which I wrote on Thursday. It is to show, in Gladstone's words after the Phoenix Park murders, that "the resources of civilisation are not at an end."

It is no longer possible to cop out of the issue "Who governs Britain?" first raised by Scargill when he stopped the movement of coal from the Saltley coke depot in 1972. The trouble is that the Government has been fighting with one hand behind its back. The time for "sitting out" violence is over.

I have four specific suggestions, none original, some of which ministers are very welcome showing signs of adopting.

First, the ridiculous pretence that the issue is between the coal board and the NUM should have been dropped long ago. This attitude is worse than any other has lost the Government middle-of-the-road support.

"He which hath no stomach to this fight,
Let him depart; his passing shall be made
And crowds for envy put
into his purse."

Selling-off**Jaguar**

From Mr N. Falconer

Sir—BL shareholders are being asked to approve the sell-off of Jaguar. They should ask what is in this for their company.

The only rationale for selling a productive asset is that its price can be employed to better advantage elsewhere in the business. So, what are the figures?

A price of £300m has been suggested. With the markets in decline, with the underwriters' fingers burned in other recent privatisations, with the imperative for a good run-in to the massive British Telecom issue, this looks distinctly over-hyped. Certainly it implies profits of £50m this year, and on a rising trend. After expenses, this would leave BL with £250m.

Mr Tebbit has made it clear that part of the deal is that BL does not draw £100m of government support, which is promised otherwise. So BL would gain only £100m by selling Jaguar.

Sir Austin Bide must explain how he proposes "to deliver £100m to the nation" in a return of 42 per cent—and how this squares with the zero return he rates so highly on the £2.25bn of taxpayers' money BL has absorbed across the past nine years. Failing a satisfactory statement of this nature, it must be suspected that the sale of Jaguar forwards only the privatisation policies of the Government, the majority shareholder. And that, Sir, may be a fraud on the minority—but who can afford to sue a state?

Noel Falconer,
203, Bramhall Moor Lane,
Hazel Grove,
Stockport.

High holiday bookings

From the Chairman,
Global of London
(Tours & Travel)

Sir.—The article of June 13 by Arthur Sanders headed "Travel price war feared after summer big names cause considerable concern" The article refers to "triple reports" in concluding that we the tour company within Great Universal Stores Group, have been particularly badly hit.

If the sources and reports relied upon are the recently reported figures of the British Market Research Bureau, we consider those figures to be a totally inaccurate reflection of our own bookings. The latest BMRB figures apparently agree that our bookings for 1984 are 14 per cent down on bookings for 1983. This is not the case.

Our own statistics at June 10 show our total bookings for our summer, air, coach and

Letters to the Editor

size of the public sector borrowing requirement as any direct expenditure on housing.

Those in favour of a budget which includes this "expedite" point to the option mortgage scheme to support their case. For example, "as (mortgage interest tax relief) is clearly income foregone by the Exchequer, and, in effect, a direct subsidy to owner occupiers, and as the option mortgage scheme is included in the White Paper, its (mortgage interest relief's) current exclusion appears to be inappropriate." (Memorandum by the Institute of Housing, The Association of District Councils and the Chartered Institute of Public Finance and Accountancy).

This pledge should be reflected also in a range of quasi-legislative acts by the House of Lords, which because judges are supposed only to be declaring the law take effect retrospectively.

As the Prime Minister said recently "If people cannot look to Government to protect them, to whom can they look, especially when one of the functions of Parliament is to check tax, including rates, and not to increase it?"

David J. Kidd,
Halperin & Woolf,
301-305, Euston Road, NW1

Margaret Wilkinson,
School of Social Sciences,
University of Bradford,
Bradford, W. Yorks.

Purpose of obscurity

From Margaret Wilkinson.

Sir—I read with interest Max Wilkinson's London column "The purpose of obscurity" (July 13). I too have been puzzled about the omission of data from the Public Expenditure White Paper. The last two White Papers have excluded, without comment or explanation, the cost to the Exchequer of the option mortgage scheme. Up to and including 1982 the figure was given; the 1983 White Paper showed the cost of the scheme to be £50m (for 1982-83), and this figure conveniently omitted.

Like the T&GWU generally, they fail totally to recognise that the union also represents thousands of lorry drivers who were stranded by the ruthless and unjustified dock strike.

The moral, industrial and political bankruptcy of the "official" Labour movement and its sponsored MPs is shown by their own assertion that not one of them can see that dockers' jobs and long-term employment were threatened by this strike.

Who represents the real interests of the docks? Who is concerned for others in the transport industries? Who cares for the customers and the general economic well-being of our country?

As a Parliamentary member of the T&GWU, I believe that the sooner the union is free from its official unilateral ties to one political Party, the better it will look after the common interests of all its members and the more it will contribute to generating the wealth that creates the real basis for improved pay and conditions, more jobs, and a proper observance of disputes and grievance procedures.

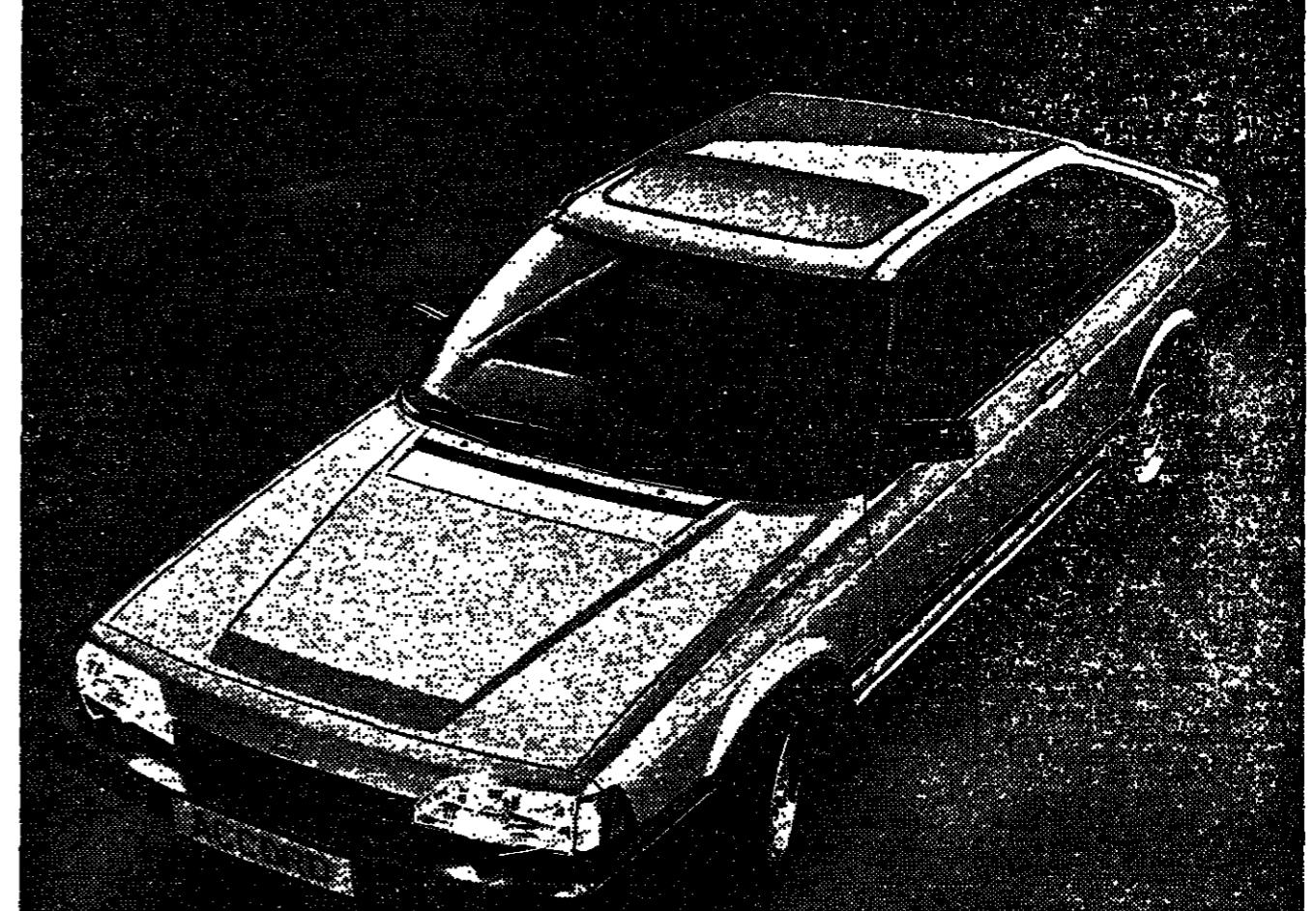
At present the nation is seeing misplaced solidarity and blind destructiveness.

Peter Bottomley,
House of Commons,

I don't know the answers to these questions but I have strong suspicions about the reason for the omission—and it is not that it is to give the appearance of reduced public expenditure, though this is no doubt a side effect welcomed by the government. In recent years many individuals and institutions have been pressing for various kinds of "tax expenditures" (public revenue losses resulting from special reliefs to particular categories of tax payer) to be included alongside similar direct public expenditure. An important tax expenditure is mortgage interest tax relief, currently costing the Exchequer £2.75bn, and having exactly the same effect on the SWL.

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Ever since its introduction the Accord 3-door Hatchback has always been a popular car in terms of driver satisfaction. In common with the other advanced models in the New Generation range, the Accord inherits all the values which first made Honda famous, plus sporty new aerodynamic looks and spirited performance—still further proof, if it were needed, of Honda's continued commitment to improving the art of automotive technology.

Take a look at our New Generation engines, for instance.

Totally new or improved right across the range, from the compact new Jazz to the stylish new Civics, including the sporty CRX and spacious Shuttle, through to the sleek

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FINANCIAL TIMES

Monday July 23 1984

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Terry Byland
on Wall Street

The banks survive on balance

THE ROUND of earnings figures for the second quarter from the big U.S. banks has been greeted with something very like a sigh of relief by Wall Street analysts - and probably by the bankers themselves.

After what Mr Thomas Hanley of Salomon Brothers describes as an "emotionally charged" trading period - which has taken in the most recent cliffhanging episode of the Argentine loans saga, and the nose-dive at Continental Illinois, as well as flights to quality in the market for bank certificates of deposit - the quarterly results have passed off without a sign of anxiety.

The most significant aspect of the trading statements was the tougher accounting of the Argentine loans required by the Federal Reserve board, which most banks chose to apply to second quarter results.

In the event the earnings reductions required gave Wall Street no surprises. Mr Hanley estimates that the \$35bn payment from Argentina to cover overdue interest reduced by about 30 per cent the overall penalty on second quarter earnings. Moreover, he points out that there is a substantial potential for profit recovery to the banks if the International Monetary Fund and Argentina can forge an agreement on future payments.

Setting aside the Latin American loans, the banks have benefited from the continued strength of loan demand in the U.S., which has kept

domestic margins in good shape. There was no sign in the bank results of any check to business borrowing in June.

The quarterly statements also comforted Wall Street in other potential problem areas. Foreign exchange trading went better than feared in a period which saw the dollar confounding predictions by continuing its upward surge. Chemical Bank pushed Forex trading profits up 66 per cent to \$13.5m for the three-month period.

Increased loan loss provisions by most of the majors also pleased the analysts. Citicorp, which ran into criticism when its fiscal 1983 results showed buoyant profits on the back of the industry's lowest loan loss ratio, raised this provision 40 per cent in the second quarter.

Bank stocks responded favourably to the quarterly reports although, with the stock market in a state of uncertainty, there was little benefit left showing in stock prices at the end of last week.

The money centre bank stocks have fallen by more than a fifth since the turn of the year, compared with a fall of only 6 per cent in the Standard & Poor's 400 industrial stock index. The regional banks, with less exposure in Latin America, have fared better but nevertheless show falls of 18 per cent or so.

With Wall Street predicting substantial recoveries in profit this year at some banks, the second quarter results may be time for a look at stock prices.

Mr Hanley, for one, believes that the sector could now be "poised for a trading rally," always assuming that the Continental Illinois rescue can be resolved satisfactorily.

The money centre banks are trading at an average of about six times earnings, compared with the 10.9 times on the S&P 400 index. But this could reflect history rather than the future.

The next 12 months could be a turning point for bank stocks. The response to the second quarter results indicates that Wall Street delivers the known problems have been contained. If the Continental Illinois upset can be left in the hands of the federal authorities then the rest of the U.S. banking industry - and Wall Street - may start to look for the green light.

KINNOCK FACES TESTS OF HIS LEADERSHIP

UK Labour set to scrap Polaris

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

BRITAIN'S opposition Labour Party is set to adopt an unambiguously unilateral defence policy, which will recommend the immediate scrapping of Britain's Polaris nuclear-armed submarines by a future Labour Government and the cancellation of the Trident missile system. Trident is the replacement for Polaris planned by the Conservative Government.

The policy will be presented in a report to the party's ruling national executive committee on Wednesday, and it is certain to be backed by the party conference in October.

A working party which has been preparing the statement put forward two options for Polaris. The party's international committee earlier this month recommended one option proposing that, on assuming office, Labour would decommission Polaris from service.

The rejected alternative was that any decision on the timetable for decommissioning Polaris must depend on the outcome of arms reduction negotiations.

The statement also talks about

the unconditional removal of U.S. nuclear weapons and bases from the UK and the need for the regularisation of other U.S. forces in Britain to ensure a physical British veto over the use of such facilities in the interests of collective security.

The draft document has, however, been criticised by Mr Tony Benn, a leading left-wing MP, and others on Labour's far left for still referring to the need for a deterrent and a Soviet threat which they do not believe exists.

The far left also objects to the absence of any pledge to cut conventional defence spending. Indeed, the report says that reductions in the relative level of Britain's defence spending "could not be achieved in the lifetime of a single parliament without major cuts in our conventional forces which we do not recommend."

Apart from Labour's defence policy - an issue which divided the party at the general election last year - Mr Neil Kinnock, the Labour leader, faces other tests of his authority

in his attempt to reunite the party and modernise its appeal since its election defeat.

There has been growing criticism of Mr Kinnock in recent weeks, both from the left wing of the party and from some MPs at Westminster over his alleged ineffectiveness in attacking Mrs Margaret Thatcher, the Prime Minister.

Mr Kinnock, who became party leader last October, will attempt to answer his critics in a House of Commons debate next week on the Government's economic and industrial policy, when he will confront Mrs Thatcher.

The Labour leader also faces a challenge over a proposal, which he backs, to encourage constituency parties to introduce voting by all local members in the reselection of sitting Labour MPs. A row is likely both at Wednesday's meeting of the national executive and at the party conference.

The proposal has sharply divided Labour MPs. About 70 centre-right members have signed a letter backing the one-member-one-vote proce-

dure as a means of reducing the influence of a few activists and of making it slightly easier for sitting MPs to be reselected. In contrast more than 50 left-wing MPs have backed a letter opposing the plan.

Mr Martin Flannery, a Labour MP for Sheffield, said Mr Kinnock had "reopened a wound almost healed that will cause a quite unnecessary and major split. How sad and inept this is."

The main significance of the proposal is as a test of Mr Kinnock's leadership since the changes themselves will be optional and will not save MPs threatened by a determined group of local activists.

There have been reports that 25 or more Labour MPs are under threat, but this is seen as a gross exaggeration by senior Labour members. They argue that the main impact of reselection will not be from the handful of MPs who are dunned, but from the lengthy anxiety of members and the external publicity that the process will cause.

Lloyds may offer broking services

By David Lascelles
in London

LLOYDS BANK, the only big UK commercial bank not yet to have joined the financial revolution being undertaken in the City of London, is considering offering discount broking services to its customers.

For the pro-Communist CGT union, the latest plan would entail lay-offs and the closure of some of Creusot-Loire's activities. The pro-Socialist CFDT union reacted with similar opposition, adding that the Government's own plan was the only credible one although it contained several shortcomings.

Discount broking, pioneered in France, is a low-cost, no-frills stockbroking service through which investors can execute orders, but without the usual extras, like research and advice.

Though launched by small Wall Street firms after the end of negotiated commissions in the mid-1970s, the business is now dominated by large banks which sell services through their branch networks, and by mail and telephone.

Mr Fred Crawley, Lloyds' new chief general manager who takes over at the end of this month, said that UK stockbrokers had shown interest in an association with Lloyds to provide these services, once broking commissions on the London Stock Exchange become freely negotiated in the next year or two.

Mr Crawley said it was unlikely that Lloyds would be a stockbroker to get into the business, but the bank would need access to the stock market through an arrangement with one or more member firms.

"Our conversations with stockbrokers show that they would like to gain access to our customers," he said. Although Lloyds is the smallest of the Big Four UK commercial banks, it aims at the more affluent end of the banking market and is generally considered to have a more investment-minded clientele.

The discount broking service would be developed alongside a network of financial counselling centres where Lloyds' customers could obtain advice on investment, tax and other money matters from specially trained staff. Lloyds might also offer cash management accounts, which combine savings and investments.

Mr Crawley has spent several years with Lloyds' subsidiary in California, the state where large banks first moved into discount broking.

Although other UK clearing

banks have bought direct stakes in the London stock market and want to build up securities operations of their own, some of them are also believed to be looking at discount broking.

Crawley's agenda, Page 6

Second plan for Creusot-Loire rescue under attack by unions

BY PAUL BETTS IN PARIS

AN ALTERNATIVE plan to rescue Creusot-Loire, the bankrupt French heavy engineering group, has already drawn fire from the trade unions.

The latest salvage proposals, which would cost FFr 2.5bn (\$265m), are being put together by M Hubert Lafont, the official appointed by the Paris commercial tribunal to help find a solution to the affair. M Lafont is now expected to be named by the tribunal as the temporary administrator of the large private group following the re-signation last week of M Didier Pieau-Vallencienne, the Creusot-Loire chairman.

M Lafont's plan involves the sale of Creusot-Loire for one symbolic franc to a group of new sharehol-

ders who would form a company to take over the concern. This company could group together Framatome, the French nuclear power station builder, Fives-Cail and Alsthom-Atlantique, the two other large French heavy engineering companies, and nationalised banks.

These are the companies which are at the centre of a separate Creusot-Loire rescue plan being worked out by the French Government. But unlike the government plan, which envisages the establishment of a company to take over the main industrial assets of Creusot-Loire after its liquidation, M Lafont's plan would avoid the need first to liquidate Creusot-Loire.

The new shareholders in M Lafont's plan would inject FFr 1.5bn

into the new company while Creusot-Loire's debts to the banks and to Framatome, its 50 per cent held subsidiary which it owes about FFr 1bn, would be rescheduled.

But the Government has expressed misgivings about this rescue plan, which is apparently more costly than the one it is putting together. For their part, the trade unions have expressed their strong opposition to M Lafont's proposals.

For the pro-Communist CGT union, the latest plan would entail lay-offs and the closure of some of Creusot-Loire's activities. The pro-Socialist CFDT union reacted with similar opposition, adding that the Government's own plan was the only credible one although it contained several shortcomings.

GEC wins big order from India

By K. K. Sharma in New Delhi and Lynton McLain in London

A £150m (\$198m) CONTRACT to supply four 60.7 megawatt coal-fired steam generators to India has been won by GEC Turbine Generators of the UK. The deal represents one of the biggest British government-funded overseas aid programmes.

The contract will also enable the British group to gain a foothold in the Indian market for power equipment in the face of competition from French and Indian companies.

Up to three quarters of the cost of the generating equipment is to be met by the British Government as capital grant awarded through the Overseas Development Administration.

The balance of the cost of the generators is to be met through loans expected to be supported by the Export Credits Guarantee Department.

The four generating sets are to be installed near the Bharat Aluminium Company (Balco) plant at Korba in Madhya Pradesh state. The new power generating capacity is designed to give the Korba plant self-sufficiency.

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SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Monday July 23 1984

BRITISH GOVERNMENT SECURITIES

Focus shifts from labour woes to Washington views

BY PHILIP STEPHENS IN LONDON

"AT LAST I can stop looking over both shoulders at once," said one London trader, as the end of the UK docks dispute reminded the gilt market on Friday that prices occasionally go up as well as down.

What he, and everyone else, will be doing this week is keeping both eyes focused firmly on Washington. First for today's revision of the U.S. second quarter estimate for gross national product and then again on Wednesday for Mr Paul Volcker's congressional testimony on the Federal Reserve outlook.

Settlement of the dockers' strike, bringing with it small gains for sterling and easier money market rates, dispelled some of the gloom which has infected gilts for weeks. But if the market regained some of its poise on Friday, the reaction to the Government Broker's £700m (£927m) issue of tapisets shows it has a long way to go before it recovers its confidence.

A random survey of brokers on Friday found at least a handful who feel that good news, or rather lack of bad news, from the U.S. this week could persuade some of the institutions to unload a part of their huge holdings of surplus cash.

What is needed, they believe, is a U.S. GNP figure not much more than half a point or so above the 5.7 per cent "flash" estimate, and some soothing words from Mr Volcker confirming that the Fed has so far held back from tightening credit.

There are few, if any, in the London market, though, who are willing to predict that on their side of the Atlantic a climbdown from the present yield levels can be anything less than a struggle.

If U.S. rates are not going up now, they almost certainly will sometime in the next few months" is a refrain that most gilt brokers seemed to have learnt by heart.

* Not yet priced. † Final terms. ** Placement. 5 Convertible. 1 Floating rate note. coupon is spread over six-month libor. (a) Spread over 6-month bid and offered rate. * With warrants. □ Callable after one year. Note: Yields are calculated on ABO basis.

Yen syndicated loans find sudden favour

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

WITH THE dollar syndicated loan market still in the doldrums, it was the turn of Japan to spring into the limelight last week. On Friday Bank of Tokyo announced that it had received a mandate from Canada for a ¥120bn (\$140m) credit, the largest yen syndicated loan ever.

The mandate came only days after Australia had announced a ¥100bn credit, and just weeks after a ¥100bn credit for New Zealand. With amounts such as these, the Japanese market has suddenly found itself processing deals that would be of more than respectable size even in the larger dollar syndicated loan market.

Apart from the launch of a \$200m credit for the Greek Public Power Corporation, the rest of the syndicated loan market was quiet last week. With the \$100m credit for Banque Extérieure d'Algérie raised to \$160m, its neighbour, Tunisia, was poised at the end of the week to launch a \$100m deal.

Irish Telecommunications' £25m (\$33.1m) credit has, as expected, been raised to £50m, while the \$100m Euronote facility for Norway's Statoil attracted commitments of \$155m in just three days.

But at the moment there also happens to be a ready availability

of funds on the yen market at a time when borrowers are looking for low interest money. Canada is paying only 7.9 per cent for its eight-year credit and Australia 8 per cent for 10 years.

Large capital outflows, estimated at \$4.4bn in April and \$3.75bn in May, have meanwhile made the foreign exchange markets much less worried about a rapid appreciation of the yen, which would make borrowing in Japan more costly.

The talks are expected to resume in the week of August 8.

After a week of uncertainty over Peruvian interest payments, it emerged on Friday that Peru had asked for a bridging loan from its commercial bank creditors which was refused.

Peruvian officials are tying a resumption of interest payments, which have been hampered by a recent civil servant's strike, to a disbursement by the banks of \$100m loan instalment left over from last year.

Pöhl creates uncertainty over withholding tax

BY MAGGIE URRY IN LONDON

IS THE Euro D-Mark bond market about to be plunged into the same withholding tax trauma that the Eurodollar bond market has suffered? Last week Herr Karl Otto Pöhl, the Bundesbank president, called in a television interview for the 25 per cent coupon tax to be abolished.

Herr Pöhl argues that removal of the tax on domestic bond interest payments would encourage foreign investors to enter the market, so helping the German currency to maintain its value against the dollar.

Although no one expects a sudden lifting of the tax, the long-term threat was enough to knock a point off Euro D-Mark bond prices on Friday. Yields on Euro D-Mark bonds - which pay interest gross - had already begun to rise relative to domestic D-Mark bond yields, and by Friday were pushing above them.

Withholding tax was still in the forefront of Eurodollar bond dealers' minds earlier last week, when President Reagan signed a bill, lifting the 30 per cent tax from all new bond issues.

Recent deals brought by Coca-Cola and Texaco avoided the difficulties by using a Delaware "80-20" company - one which gets over 80 per cent of its income from abroad - to make the issues. That avenue was apparently not open to General Electric Credit International. Its \$150m issue was particularly unfortunately timed - straddling the President's signing ceremony.

It took lead managers Smith Barney three days to assemble a management group, and in the end the commissions had to be increased by 1% point to a total of 1.1% per cent, and compulsory calls were added to protect investors in case the U.S. Treasury failed to provide favourable solutions by next summer.

But as usual, success has bred excess, and warrant deals have been priced increasingly tightly.

Eurodollar bond prices were barely better over the week, with investors still nervous about interest rates. Swiss franc bonds were stable in quiet trading.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Central Europ. Ind. Bk. 1‡	20	1990	6	1%	100	Arab Bank Corp.	-
Demand. 1†	100	1982	4	13½	102½	Morgan Stanley	13.034
GE Credit Ind. 10‡	150	1987	3	12½	100	Smith Barney, Harris Upham	12.508
Oest. Landesbank 4‡	100	1987	3	13½	101.7	Goldman Sachs	12.763
Alco Int'l. 1 (a) †	63.25	1990	12	½	100	Nomura Int'l., Toyo Tsk., LTCB	-
Optic-Dai-Ichi Denko 5	30	1993	15	3½	100	Yamazaki Int'l.	-
D-MARKS							
EBF 1‡	200	1984	10	8½	100	Deutsche Bank	8.250
Span. 1‡	200	1982	8	8½	99½	Dresdner Bank	8.294
Kawasaki Textile Mfrs. 5	45	1990	6	4	100	Deutsche Bank	-
SWISS FRANCS							
Fujita Tochter **‡	50	1989	-	2½	100	Europ. Paribas (Suisse)	2.500
Tanaka Sekizai **‡	60	1989	-	2½	100	SBC	2.750
Kongefacial Chemical **‡	70	1989	-	3½	100	SBC	3.250
Daikyo Kanku **‡	30	1989	-	2½	100	UBS	2.675
Research Med. Products **‡	10	1989	-	6½	100	Citicorp Bk. (Switz)	-

* Not yet priced. † Final terms. ** Placement. 5 Convertible. 1 Floating rate note. coupon is spread over six-month libor. (a) Spread over 6-month bid and offered rate. * With warrants. □ Callable after one year. Note: Yields are calculated on ABO basis.

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NOMURA INTERNATIONAL LIMITED

SWISS BANK CORPORATION INTERNATIONAL LIMITED

LTCB INTERNATIONAL LIMITED

BANQUE PARIBAS

DEUTSCHE BANK AKTIENGESELLSCHAFT

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UNION BANK OF SWITZERLAND (SECURITIES) LIMITED

CHASE MANHATTAN CAPITAL MARKETS GROUP

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BANQUE POPULAIRE SUISSE S.A. LUXEMBOURG

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June 20, 1984

All of these securities have been sold. This announcement appears as a matter of record only.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Fed policy debate still dominates market psychology

MR PAUL VOLCKER, chairman of the Federal Reserve Board, is due to appear before Congress on Wednesday to deliver the Fed's twice-yearly assessment of the U.S. economy, the state of its monetary policy and its provisional monetary targets for 1985.

With Congress now seriously into the presidential election swing, Mr Volcker can probably expect more than his usual rough ride. Yet the congressional will undoubtedly get as good as they serve.

The debate over Fed policy, in the face of a slowing, though still robust, U.S. economy, continues to dominate market psychology. Last week, with

U.S. INTEREST RATES

	July 19 1984	July 13 1983
Funds weekly average	11.21 11.25	11.11 11.25
3-month CDs	11.21 11.25	11.11 11.25
3-month T-bills	10.75 10.80	10.75 10.80
30-year long bond	13.07 13.22	12.95 13.22
AAA utility	14.25 14.25	14.25 14.25
AA industrial	13.75 13.75	13.75 13.75

Sources: Salomon Brothers (estimates). In the week ending July 9 M1 rose by \$1.7bn to \$55.6bn.

the policy-making Federal Open Market Committee (FOMC) meeting on Monday and Tuesday, attention was focused more closely than usual on Fed market activity. As a result, trading was particularly patchy.

The first "signal" came on Wednesday when the Fed provided reserves through overnight repurchase agreements while funds were trading at 11½ per cent. But perhaps even more significant, the Fed intervened on Friday to drain reserves through matched sales purchases when the funds rate had dropped to 11 per cent.

Some market analysts have already concluded that the FOMC decided last week to maintain the current level, but the relatively large volume of new issues generally fared well buoyed, it is suggested, by foreign demand after the repeal of withholding on credit. The message is "steady on the reins."

Roughly translated, that means the Fed is happy—if not determined—to see the funds rate traded in an 11 per cent to 11.5 per cent range.

Other Wall Street economists saw the draining action as a clear firming action, placing a solid 11 per cent floor

Paul Taylor


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Amro International Limited
CIBC Limited
Deutsche Bank Aktiengesellschaft
Merrill Lynch Capital Markets
Orion Royal Bank Limited
Union Bank of Switzerland (Securities) Limited

Banca Commerciale Italiana
Bank Cantrade Switzerland (C.I.) Limited
Bank of Tokyo International Limited
Banque du Benelux S.A.
Banque Paribas
Barclays Bank Group
Baring Brothers & Co., Limited
Bayerische Landesbank Girozentrale
Chase Manhattan Capital Markets Group
Compagnie de Banque et d'Investissements, CBI
Crédit Commercial de France
Crédit du Nord
Credit Suisse First Boston Limited
DG Bank Deutsche Genossenschaftsbank
Die Erste Österreichische Spar-Casse – Bank
Dresdner Bank Aktiengesellschaft
Eskilstads Securities – Skandinaviska Enskilda Limited
Fuji International Finance Limited
Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft
Groupement des Banquiers Privés Genevois SA
Hambros Bank Limited
Hill Samuel & Co. Limited
Kleinwort, Benson Limited
Lehman Brothers International – Shearson Lehman/American Express Inc.
McLeod Young Weir International Limited
Samuel Montagu & Co. Limited
Morgan Stanley International
Nesbitt Thomson Limited
Nuovo Banco Ambrosiano
Pr Christiania Bank (UK) Limited
Richardson Greenfields of Canada (U.K.) Limited
Sal Oppenheim Jr. & Cie.
Sarasin International Securities Limited
Société Générale
Svenska Handelsbanken Group
Verband Schweizerischer Kantonalbanken
Westdeutsche Landesbank Girozentrale

Banca del Gottardo
Bank Leu International Ltd.
Bank Vontobel & Co. AG
Banque Générale du Luxembourg S.A.
Banque Paribas
Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft
Bayerische Vereinsbank Aktiengesellschaft
Chemical Bank International Group
Continental Illinois Capital Markets Group
Credit Industriel et Commercial de Paris
Credit Suisse First Boston Limited
Dai-Ichi Kangyo International Limited
Dilon, Read Limited
Ferrier Lulin & Cie S.A.
First City Limited
Genossenschaftliche Zentralbank AG – Vienna
Goldman Sachs International Corp.
Handelsbank N.W. (Overseas) Ltd.
Kidder, Peabody International Limited
LTCB International Limited
Lloyds Bank International Limited
Mitsubishi Finance International Limited
Morgan Guaranty Ltd.
Nederlandse Creditbank nv
Norddeutsche Landesbank Girozentrale
Overland Trust Barca
Prudential-Bache Securities
Saitama Bank (Europe) S.A.
Sanwa Bank (Underwriters) Limited
Smith Barney, Harris Upham & Co. Incorporated
Sumitomo Trust International Limited
Toronto Dominion International Limited
Vereins- und Westbank Aktiengesellschaft
Wood Gundy Inc.

NEW ISSUE

This announcement appears as a matter of record only.

July 1984

Sharp fall in syndicated Asia-Pacific loans

BY DAVID DODWELL IN HONG KONG

THE APPETITE of borrowers in the Asia-Pacific region for syndicated loans has fallen sharply in the past six months, according to a half-yearly report by the Hong Kong-based Asia-banking magazine.

The total of sovereign, corporate and institutional borrowing in the region during the first six months of this year amounted to US\$1.64bn, a 29 per cent fall from the first half total last year of US\$2.17bn, the report said.

In any event, the report of the May FOMC meeting, selected on Friday confirmed what most had previously held to be self-evident truths, namely that the May meeting decided to "maintain the current degree of monetary restraint".

The markets had been particularly nervous ahead of the Friday release of the May FOMC meeting report, in the morning, in part, as the Fed was anticipating the revised second quarter gross national product figures due out today. Most market participants expect the revised figures to show a big jump from the "flash" 5.7 per cent annual rate indicated earlier.

The market lacked direction or inspiration last week despite the signing of the new tax bill, which included the abolition of withholding tax.

At the close, Government prices were between 1 and 1 point lower on the week.

The Treasury long bond closed down 2 points at 100½ to yield 13.17 per cent while the 20-year Treasury bond posted the largest decline on Friday, dropping to 102½ to yield 13.34 per cent. Most short-term rates were little changed to slightly higher on the week—underlining the dramatic flattening of the yield curve in recent weeks.

Corporate bond prices declined slightly last week by about 1 point on intermediate and about 1 point on longer-term bonds, but the relatively large volume of new issues generally fared well buoyed, it is suggested, by foreign demand after the repeal of withholding on credit.

Among the new issues CitiCorp sold \$250m of five-year 14½ per cent notes at 14.2 per cent, Pacific Gas and Electric sold \$250m of 14 per cent 10-year mortgage bonds and CIT Financial sold \$100m of 13½ four-year notes.

Paul Taylor

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UK COMPANY NEWS

RECENT ISSUES

Ray Maughan looks at the setback for Future Technology Systems failure hits quotation plans

Future Technology Systems was confidently set for a full Stock Exchange quote, or a flotation on the Unlisted Securities Market next year, but recent confirmation by Cooper & Lybrand that "there has been an almost complete failure of both computer and manual financial and non-financial systems," means that these plans must be deferred for at least three years. This also suggests that the management and systems can rectify what Coopers has described as the company's "extremely serious financial position."

Coopers' findings, including the revelation that the company's books had not been written up since the end of 1982, put a rate of tax failing to meet an annualised rate of second half profitability or a multiple 7.5 on the estimated tax liability.

The customer range included Office and Electronic Machine, Daisy Systems, Ferranti, Falcon and British Telecom Merlin. FTS indicated that its sales would double this year to over £12m and set its sights on turnover approaching £100m by 1989. One of the principal reasons for supposing that FTS can now get back on track is that its major customers continue to offer undiminished support.

But, by the spring of this year, the investors still had not seen any figures for 1983 and anecdotal evidence from customers suggested to at least two of the auditors that quality control had deteriorated at the point where it was having a severe impact on cash flow.

This advertisement is issued in compliance with the requirements of the Council of the Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any securities.

GOLD FIELDS OF SOUTH AFRICA LIMITED (incorporated in the Republic of South Africa)

ISSUE of up to 5,048,860 Convertible Redeemable Cumulative Preference Shares of 5 cents each

This advertisement appears in connection with the issue of up to 5,048,860 Convertible Redeemable Cumulative Preference Shares of 5 cents each ("The Preference Shares") pursuant to an offer by Gold Fields of South Africa Limited to acquire the whole of the issued share capital of The Clydesdale (Transvaal) Collieries Limited. The Preference Shares have been admitted to the Official List by the Council of The Stock Exchange.

Particulars of the Preference Shares are available in the Exet Statistical Services and copies of such particulars may be obtained during normal business hours on any weekday, except Saturdays, up to and including 5th August 1984 from:

Consolidated Gold Fields PLC,
49 Moorgate,
London EC2R 6BQ.

Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN.

This advertisement complies with the requirements of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland.

holders' funds of £172,000.

The study's cash projections and its queries on debtors and stocks were so pessimistic as to offer investors a very bleak set of alternatives for future action.

As another interim measure, most of the funds have

been subscribed to a deeply discounted rights issue, raising £400,000, to provide time for Coopers to complete a full feasibility study.

Sir Monty and a new corporate finance director at Smith & Cutler believe that the results of that study will persuade investors to inject the additional capital needed by FTS and the accounts said.

Whatever the case, an independent report was eventually established by Smith & Cutler and Lybrand and the true facts of the financial position began to emerge. The findings were stark.

"Such management reports and board reports as have been produced have not been accurate and have not been based on financial fact," the accountants said.

On that basis, the entry p/e

would have been 22.2 on a full

rate of tax failing to meet an

annualised rate of second

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, July 20

Continued on Page 17

WORLD STOCK MARKETS

OVER-THE-COUNTER

AMERICAN STOCK EXCHANGE CLOSING PRICES

12 Month P- SIS
Kmt. /km. Cost. Per Yd. E. 12%

CANADA

Netherlands										
1984	High	Low	July 20	Price	Fra.	1984	High	Low	Kroner	
222	205	Credit'stalt Pfd.	207	407	330AGA...	545	30.7	17.8	Bank East Asia	
342	318	Goesser...	325	302	225Alfa-Laval...	226	10.6	6.15	Cheng Kong	
410	597	Interunivall...	598	480	260ASEA(Free)	340	14.5	9.95	China Light.	
216	205	Laenderbank...	206	590	355Astra...	388	2.97	1.65	Hang Lung Dev'l	
389	290	Peflmoser...	340	141	113Atlas Copco...	124	47.0	25.9	Hang Sung Bank	
162	160	Steyr-Daimler...	141	455	365Boliden...	375	7.4	6.05	HK Electric	
220	206	Veitscher Mag...	216	531	320Gardo (Free)	322	4.7	4.3	HK Hawa Wh.	
				192	136Cellulose...	138	7.76	2.07	HK Land.	
				268	238Electrolux B...	247	49	5.5	HK Shanghai Sku.	
				390	297Ergon...	311	16.5	5.5	HK Telephone.	
				370	275Easelite...	350	14.3	8.4	Hutchinson Wpa	
					575	220Mc Domjaja...	3622.8	5.15	2.25	New World Dev.
					370	230Pharmacia(Free)	275	2.87	1.95	Orient Oceans
					434	295Saab-Scania...	408	4.0	3.02	Osaka Trust Sk.
					426	310Sandvik...	400	6.3	4.12	SKK Prop.
					443	345Skandia...	350	21.0	13.1	Swire Pac A.
					573	308Skan Enskilda...	314	4.2	2.65	Wheatk Mard A.
					223	164SKF...	189	2.5	1.46	Wheatk Maritime
					750	655St. Kupparbergs...	182	2.6	1.46	World Int. H'tops
					237	182Sven Handelsb...	182			
					308	220Swedish Match...	232			
					2371	214Volvo B (Free)...	254			

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. *Deals suspended. #Ex dividend. **Ex scrip



CONSTRUCTION CONTRACTS

£8m. City of London office project

SIR ROBERT McALPINE AND SONS has won a contract worth £8m from Hamleys Estates for the construction of a major office development in the City of London. The site, comprising seven buildings, is at the junction of Cannon Street and St Swithin Lane and is bounded on two sides by the River Fleet, partly, at the rear, by Sherborne Lane. The contract covers major demolition, refurbishment to a very high standard of the remaining buildings, including a medieval vault, and the construction of buildings behind the existing structures which trades. Construction of the building will be of reinforced concrete frame on pad foundations. On completion the development will provide 91,000 sq ft of office accommodation in four separate units ranging from three to six storeys. Work has begun and is due for completion in June 1986.

*
HADEN DRYSYS, Birmingham, is to provide the design and structural management services of the paint line for what will be the world's largest scooter factory. The factory, now being built, will be operated by RAJAS at Poona, India, and will turn out 1,000 scooters a day, of completely Indian manufacture. The contract, worth just under £500,000, was negotiated in conjunction with Haden Drysys's Indian agents Josts Engineering.

*
J. JARVIS & SONS has won eight contracts totalling over £2m in the south and north of England. At St Mary's Convent, Ascot, a music school is being built together with alterations to existing residential accommodation at a cost of £410,000. The Wessex Water Authority has awarded a £350,000 contract for a unit for the mentally handicapped at Calmore, near Southampton. Four industrial units costing £225,000 are underway at Haniton Road SE27, for the London Borough of Lambeth, and a £217,000 contract building is under construction at London Transport's Neasden depot. Two refurbishment projects totalling £540,000 are to be carried out to provide new office accommodation in Praed Street and Long Acre WC2. In Ashton-under-Lyne, a £407,000 contract was awarded for civil engineering works on a large services duct at the Tameside General Hospital, and a £100,000 pharmacy is being built for St Nicholas Hospital, Gosforth.

*
A contract to supply the curtain walling and windows, worth over £1m, for Stuart House, Peterborough, has been awarded to **ALLAN H. WILLIAMS**. Stuart House, a four-storey 120,000 sq ft office building, is scheduled for completion in late 1984. Set in landscaped grounds, the building will be in reflective mirror glass between brick columns. Allan H. Williams is supplying 3,430 sq metres of curtain walling from its self-draining thermally broken 52 range, 600 top-hung ventilators and two glass entrance assemblies.

*
SIR ALFRED McALPINE & SON (NORTHERN) has been awarded a sub-contract worth almost £400,000 to construct a 100m long extension to the building. The sub-contract entails carrying out structural concrete work on the extension to the existing international departure lounge and new control tower. The project is being undertaken by the main contractor, Bovis International of Monk & Co. Work started in May and will continue until the end of the year.

*
WALTER LAWRENCE & SON has won a £500,000 contract from the London Borough of Harrow to construct Phase VI of the Middlesex Polytechnic development in Bounds Green Road, London N11. Work consists of the construction of specialist accommodation for the mechanical and electrical engineering schools including the microscopy suite, material science laboratory, photoelasticity, creep and brittle lacquer laboratories and laboratories for the civil engineering school. Walter Lawrence will also construct changing rooms and a multi-purpose sports hall and carry out the preliminary work for a large multi-purpose hall and teaching rooms. The project will be completed at the beginning of May 1985.

*
PERMUTTI-BOBY — PORTALS WATER TREATMENT has been awarded a contract worth in excess of £3m by the British Steel Corporation's Port Talbot works in south Wales. The plant, designed for oil separation and the clarification of mill scale, is one of the largest steelworks water treatment developments in the UK. A water recirculation system "polishes" 5,000 cu metres per hour to a water quality in the new 80 m hot strip mill. The final specification for the upgraded water is 5mg/l oil and 5mg/l suspended solids. This turnkey contract includes piling and electrical work.

*
KYMI-STROMBERG OY has received an order covering electrical equipment for Shandong Paper Company's paper mill in north Wales, worth around £1m. They cover the supply of 12 high voltage a.c. synchronous motors for refiners with ratings between 6 and 8.5MW; d.c. sectional drives for the paper machine, winder and rewinders; two sectional a.c. drives for winder

slitters; several separate d.c. drives for pumps and conveyors, etc. A large number of 650V cage motors with ratings from 0.25-300 kw and 19 lv. switchboards are also being supplied. The paper mill is due to be commissioned in May-June 1985.

*
GILBERT ASH, part of Bovis, has won over £2m of building work in Scotland. Three projects include the bulk of the new headquarters of the Cumbrian Development Corporation consisting of the conversion of 35 penthouses into office suites at a cost of just over £1m. This project is due to be completed in November 1985. The project is the Institute of Terrestrial Ecology for the National Environment Research Council. Work consists of the erection of a laboratory and office extension to an existing complex on the Bush Estate near Penicuik, Midlothian. It is worth over £500,000. The general contractor division has won a re-roofing contract worth nearly £300,000 at H.M.D. Rosyth for the Property Services Agency and a project for the Boots Co in Sauchiehall Street, Glasgow.

*
An engineering refurbishment at ICI agricultural division's Billingham factory is being undertaken by **CLEVELAND REDPATH ENGINEERING**, who won the contract valued at over £1m. The project involves the construction of a new support steelwork. The ICI programme for the modernisation of the facility is to be completed in 12 months by November 1984. Erection has to be completed by April 1985 so the project can be commissioned in May of that year. Cleveland Redpath Engineering is part of the structural engineering division of the Trafalgar House Group.

*
Wates Special wins £6.2m council jobs

WATES SPECIAL WORKS has secured £6.2m-worth of public sector contracts in the Tyneside area. Wates is to carry out a £2.7m contract for remedial works to 140 houses and 12 bungalows at King Arthur's Way, Andover, Hampshire. The project, which entails the erection of a new brick envelope to front and rear elevations and the provision of pitched roofs, is planned to commence in September and finish within 12 months. The London Borough of Camden has awarded a £2m-plus contract for modernisation of 131 dwellings in six post-war three-storey blocks at Cromer Street, WC1. Carried out with tenants in occupation, the project will commence this month with a completion date of January 1986. On a number of London Borough of Hackney estates, Wates has won a £1.5m contract of external repairs and renewals. Undertaken with tenants in occupation, the contract commences in July for completion within 40 weeks.

*
RANQUE FRANCAISE DU COMMERCE EXTERIEUR

GUARANTEED PLACE OF PAYMENT
IN ACCORDANCE WITH THE TERMS AND
CONDITIONS OF SALE OF THIS NOTE
HEREBY GIVEN that for the sum of
£1,000.00 (£1,000.00) to be paid on
January 22, 1985, the Notes will
carry an interest rate of 12% p.a.
On payment of £1,000.00, the Note
will be due plus £5.10.00 Note for
Coupon No. 47
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WORLD STOCK MARKETS

OVER-THE-COUNTER

Stock	Sales (Mds)	High	Low	Last	Chng	Stock	Sales (Mds)	High	Low	Last	Chng
Continued from Page 18											
PPPS	102	74	72	72	+2	TIC	51	51	51	51	+2
Prima S	120	74	72	72	+2	TICA Ch	12	705	705	705	+2
Prima S	41	27	25	25	+2	Tactic	40	200	200	200	+2
Prima S	21	27	25	25	+2	Tandem	10	224	224	224	+2
Prima S	154	27	25	25	+2	Telcom	1023	251	251	251	+2
Power	125	27	25	25	+2	Thomson	1004	204	204	204	+2
Power	21	27	25	25	+2	Siemens	211	251	251	251	+2
Power	154	27	25	25	+2	Symcor	100	198	198	198	+2
Power	154	27	25	25	+2	Telxon	100	198	198	198	+2
Power	154	27	25	25	+2	Unilever	1498	152	152	152	+2
Power	154	27	25	25	+2	Upset	125	125	125	125	+2
Power	154	27	25	25	+2	VLI	194	194	194	194	+2
Power	154	27	25	25	+2	VLSI	12	75	75	75	+2
Power	154	27	25	25	+2	Valero	187	187	187	187	+2
Power	154	27	25	25	+2	Verad	116	187	187	187	+2
Power	154	27	25	25	+2	Verso	49	125	125	125	+2
Power	154	27	25	25	+2	Vestas	15	16	16	16	+2
Power	154	27	25	25	+2	Vestco	186	186	186	186	+2
Power	154	27	25	25	+2	Vicor	156	156	156	156	+2
Power	154	27	25	25	+2	VideoCap	156	156	156	156	+2
Power	154	27	25	25	+2	Viking	159	145	145	145	+2
Power	154	27	25	25	+2	Voda	23	75	75	75	+2
Power	154	27	25	25	+2	Vodafon	210	75	75	75	+2
Power	154	27	25	25	+2	W&W	46	55	55	55	+2
Power	154	27	25	25	+2	Watson	188	21	21	21	+2
Power	154	27	25	25	+2	Watsco	116	116	116	116	+2
Power	154	27	25	25	+2	Watson	116	116	116	116	+2
Power	154	27	25	25	+2	WBIS	262	262	262	262	+2
Power	154	27	25	25	+2	Webcor	103	103	103	103	+2
Power	154	27	25	25	+2	Webcor	157	157	157	157	+2
Power	154	27	25	25	+2	Wedco	111	111	111	111	+2
Power	154	27	25	25	+2	Weldco	165	165	165	165	+2
Power	154	27	25	25	+2	Weldco	165	165	165	165	+2
Power	154	27	25	25	+2	Wenex	156	156	156	156	+2
Power	154	27	25	25	+2	Wenex	156	156	156	156	+2
Power	154	27	25	25	+2	Wernick	20	20	20	20	+2
Power	154	27	25	25	+2	Wescon	85	31	31	31	+2
Power	154	27	25	25	+2	Wescon	85	31	31	31	+2
Power	154	27	25	25	+2	Wexco	1	210	210	210	+2
Power	154	27	25	25	+2	Zenith	59	143	143	143	+2
Power	154	27	25	25	+2	Zenith	1	35	35	35	+2
Power	154	27	25	25	+2	Zimmer	44	66	66	66	+2
Power	154	27	25	25	+2	Zone	66	66	66	66	+2
Power	154	27	25	25	+2	Zone	30	104	104	104	+2
Power	154	27	25	25	+2	Zynex	405	31	31	31	+2
Power	154	27	25	25	+2	Zynex	85	41	41	41	+2

Indices

NEW YORK											
DOW JONES											
July 20	July 19	July 18	July 17	July 16	July	High	Low	High	Low	High	Low

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pound and dollar end firm

BY COLIN MILLHAM

Sterling failed to show much reaction to the agreement in principle to end the UK docks strike, but gained ground against most major currencies on the week, apart from the strong dollar. The pound touched a low of \$1.3110 on Wednesday, the same day the dollar rose to a ten-year peak against the D-mark; a seven-year high in terms of the Swiss franc; and record levels against the French franc and Italian lira.

Sterling's trade-weighted index rose to 78.7 from 78.2, but finished virtually unchanged against the dollar at \$1.3235-1.3245, compared with \$1.3230-1.3240 at the end of the previous week. On the other hand the pound rose to DM 3.7325

from DM 3.73; FFr 11.6100 from FFr 11.4876; SWF 3.0205 from SWF 3.18; and Y 323.75 from Y 319.50.

The peaks touched by the dollar on Wednesday were DM 2.8650; SWF 2.4225; FFr 8.7825 and Ll.753. It was also at the highest level since last September against the Japanese yen at Y 343.85.

On Monday, Dr Henry Kaufman, chief economist of Salomon Brothers, forecast that "the peak in interest rates is not near, both in terms of level and when it will occur." This followed publication of a rise of \$10.25bn in U.S. consumer credit in May, a much higher figure than expected, and compared with only \$6.4bn in April.

THE POUND SPOT AND FORWARD

	Day's spread	Close	One month	% Three p.a. months	%
July 20					
U.S.	1.3215-1.3280	1.3220-1.3245	0.07-0.025 p.m.	0.41-0.45 p.m.	-0.05
Canada	1.2180-1.2200	1.2180-1.2200	0.05-0.06 p.m.	0.38-0.40 p.m.	-0.05
Netherl.	4.25-4.27	4.26-4.27	0.07-0.09 p.m.	0.72-0.77-0.80 p.m.	-0.86
Belgium	76.20-76.85	76.45-76.55	1.46-1.48 p.m.	5.38-4.40-5.48 p.m.	4.44
Denmark	13.78-13.85	13.80-13.85	0.21-0.24 p.m.	0.40-0.42 p.m.	0.03
Ireland	1.3215-1.3220	1.3215-1.3220	0.05-0.06 p.m.	0.38-0.40 p.m.	0.00
W. Ger.	3.761-3.79	3.777-3.781	1.50-1.45 p.m.	8.60-4.38-4.33 p.m.	6.10
Portugal	197.55-205.15	197.80-202.00	100-300 days	15.83-300-700ds	13.20
Spain	1.3215-1.3220	1.3215-1.3220	0.05-0.06 p.m.	0.38-0.40 p.m.	0.00
Italy	2.2110-2.2120	2.2220-2.2240	8.16-8.18 p.m.	3.93-17.18-18.18 p.m.	-4.04
Norway	10.88-10.94	10.92-10.95	0.50-1.00 p.m.	1.09-1.15-1.20 p.m.	-0.53
France	11.58-11.61	11.61-11.61	0.40-0.60 p.m.	0.40-0.50-1.00ds	0.00
Sweden	2.2110-2.2120	2.2220-2.2240	8.16-8.18 p.m.	5.69-2.45-3.43 p.m.	5.65
Japan	322.324	323.324	1.16-1.18 p.m.	26.00-29.20-24.50 p.m.	5.09
Austria	26.40-26.50	26.47-26.53	8.60-8.10 p.m.	5.00-5.20-5.40 p.m.	5.09
Switz.	3.1894-3.1904	3.1904-3.1914	8.16-8.18 p.m.	4.17-4.20-4.22 p.m.	7.03

* U.K. and Ireland are quoted in U.S. dollars and not to the individual currency. Belgian rate is for convertible francs. Financial franc 58.26-58.31.

OTHER CURRENCIES

	July 20	£	\$	€	Note Rates
Argentine Peso	75.19-75.34	56.86-56.92	Austria	26.40-26.70	
Australia Dollar	1.5985-1.6015	1.2100-1.2110	Belgium	76.70-77.50	
Brazil Cruzeiro	2.324-2.325	0.07-0.08	Denmark	11.55-11.60	
French Franc	8.6745-8.6750	6.07-6.08	Germany	5.76-5.80	
Greek Drachma	148.60-149.40	11.30-11.60	Hong Kong Dollar	10.36-10.373	7.8200-7.8350
Iraqi Dinar	1.09-1.10	0.25-0.26	Italy	4.24-4.28	
Kuwaiti Dinar	0.3953-0.3955	0.2992-0.2995	Netherlands	10.88-10.94	
Luxembourg Fr.	7.645-76.55	57.77-57.82	Norway	10.98-10.99	
Malaysian Ringgit	2.10-2.11	0.50-0.51	Portugal	15.0-15.1	
New Zealand Dlr.	2.6255-2.6257	2.0063-2.0100	Spain	2.205-2.205	
Saudi Arab. Ryal	4.6433-4.6450	2.1495-2.1510	Sweden	1.16-1.17	
Singapore Dollar	2.8450-2.8455	2.1495-2.1510	Switzerland	1.16-1.17	
S. African Rand	2.425-2.426	0.50-0.51	Turkey	31.11-31.21	
U.S. Dollar	4.8560-4.8630	3.6720-3.6730	Yugoslavians	169.201	

* Selling rates.

EMS EUROPEAN CURRENCY UNIT RATES

	July 20	Days' spread	Close	One month	% Three p.a. months	%
Ecu central rates						
Dutch Franc	44.00	42.20	42.20	4.05	+0.05	-1.54
Danish Krone	8.14108	8.17479	8.1405	+0.39	+1.64	-0.24
German D-Mark	2.24184	2.22324	-0.16	-0.16	+0.02	-0.04
French Franc	6.6745	6.6710	-0.05	-0.12	+0.02	-0.04
Dutch Guilder	2.24184	2.22324	-0.05	-0.05	+0.02	-0.04
Irish Punt	0.72503	0.72515	+0.05	+0.44	+0.44	-0.05
Italian Lira	1402.49	1374.45	-2.00	-2.00	+4.1505	

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

	July 20	Pound Sterling	U.S. Dollar	Deutsche m'k	J'panese Yen	French/Frac	Swiss Franc	Dutch Guild	Italian Lira	Canadian Dollar	Belgian Fran
Pound Sterling		1.3215	1.324	3.763	323.8	11.51	5.203	4.270	8334	1.758	76.50
U.S. Dollar		0.765	1.000	2.658	244.9	8.763	4.218	3.235	1755	1.320	57.80
Deutschmark		0.384	0.509	1.050	1.168	3.069	0.847	1.189	614.5	0.465	20.22
Japanese Yen 1,000		5.089	4.050	11.68	35.86	9.892	—	15.19	51.1	0.22	226.3
French Franc 10		0.861	1.140	2.858	276.9	10	2.758	2.678	2001	1.514	65.89
Swiss Franc		0.312	0.313	1.151	101.1	5.628	—	1.353	726.5	0.549	23.88
Dutch Guilder		0.233	0.310	0.866	75.82	2.719	0.750	—	544.1	0.412	17.92
Italian Lira 1,000		0.430	0.570	1.628	125.3	4.937	1.378	1.388	1000	0.707	35.92
Canadian Dollar		0.669	0.765	2.162	184.2	6.604	1.822	2.428	1228	1.228	45.52
Belgian Franc 100		1.507	1.751	4.944	423.2	15.18	4.186	5.582	3037	2.298	100

EURO-CURRENCY INTEREST RATES (Market closing rates)

	July 20	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-Mark	French/Frac	Italian Lira	Belgian Franc	Fin.	Yen	Danish Krone
Short term	12-12t	104.107	114.113	5.6-6	1.34-1.32	476.5	11.1-12	15.16	11.1-12	11.1-12	11.1-12	104.104	
7 days notice	12-12t	114.113	114.117	5.6-6	1.34-1.32	476.4	11.1-12	15.16	11.1-12	11.1-12	11.1-12	104.104	
Month	12-12t	114.113	114.117	5.6-6	1.34-1.32	476.3	11.1-12	15.16	11.1-12	11.1-12	11.1-12	104.104	
Three months	12-12t	114.113	114.127	5.6-6	1.34-1.32	476.2	11.1-12	15.16	11.1-12	11.1-12	11.1-12	104.104	
Six months	12-12t	114.113	1										

IVS
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Time
Count

SECTION III

FINANCIAL TIMES SURVEY

Monday July 23 1984

JAPAN

By JUREK MARTIN
Far East Editor

ONE OF THE more popular and recurrent external fallacies about Japan is that the country's economic success is based on a conspiracy. That deep in the bowels of Kasumigaseki, Tokyo's Whitehall, there sits a group of bureaucratic plotters, to whose every beck and call industry responds and who have a grand, possibly computerised, scheme of things whereby sooner or later the world will fall under Japan's economic thrall.

Generally, the government department most often cited is the Ministry of International Trade and Industry, sometimes, and more frequently now that financial services are assuming greater significance, the Ministry of Finance.

It should be pointed out that perhaps the best analysis of the Japanese system, "MITI and the Japanese Economic Miracle" by Chalmers Johnson, does not hold to this theory but many less scrupulous purveyors of polemics do as any airport bookstand demonstrates. It is also apparent that the myth of the Japanese monolith has many subscribers in foreign government and industrial circles.

Truth more complex

The truth, inevitably, is much more complex, often not easy to discern, and occasionally contradictory. A factor indisputably is that Japan is a nation which is comfortable with the idea of a strong central government; politicians and bureaucrats occupy well-delineated areas and in the post-war years a succession of conservative governments has given the political bureaus the power to suggest that it is only the

security to pursue the art of policymaking as they think best.

Although not necessarily a consequence, it is also undeniable that the bureaucrats have done their job well. Japan is a remarkably well-run country, by and large. The bureaucracy may appear at times, interfering, pontificating and obtuse, but it has made few major mistakes, as the Japanese record shows. It may be less good at anticipating problems than in reacting to them (vide the first oil crisis a decade ago) but few international bureaucracies in the turbulent modern era can claim to have met diverse challenges so effectively.

This is at last partly because the Japanese bureaucracy still enjoys "the best and the brightest." They may be drawn rather heavily from Tokyo University which, with its graduates holding 80 per cent of senior bureaucratic positions, enjoys an hegemony that Oxbridge has not known this century, but their qualities are not to be lightly dismissed. To be a bureaucrat in Japan is to know real power and prestige.

It is also noteworthy that the bureaucracy is, by most international standards, not over-staffed. The programme to cut the number of national government personnel began in the late 1960s and real manpower savings have been achieved.

Even though some staff were switched from national to local government, which has grown in size, the ratio of public employees to the overall labour force in Japan is less than half that of the U.S., Britain and West Germany. In fact the most frequent complaint made by bureaucrats today is that their work loads have become too heavy; certainly many put in, routinely, 12-hour days and six-day weeks.

But it is a far cry—and an unwarranted extension—to suggest that it is only the

A highly competent bureaucracy which enjoys good relationships with its principal partners—politicians and businessmen—has been the wellspring of Japan's industrial and economic success. Can the country adapt to the challenges as both society and the economy become more open?

Myth of the monolith

bureaucracy which guides and impels Japan. In a closely-knit society like Japan's, which also happens to make a cardinal virtue out of encouraging free flows of information and communication, it is inevitable that government should be involved in the activities of the private sector.

Indeed, there is very little of the debate, among Japanese, about the merits of public and private sector efficiency in Japan that is as evident elsewhere in the world. Japan's own current modest attempt at privatisation is simply not seen in these stark neo-ideological terms.

As far as industry is concerned, the bureaucratic role is multi-faceted, probably more so now than the economy is less dominated by major heavy industries, which were easy to grasp, and more influenced by the service sector, which is by definition more nebulous.

Over the years, however, key elements of the governmental approach have been:

● Development. The government does help guide indus-

trial research; it does not spend vast sums (apart from the huge agricultural and railway subsidies); and the bureaucracy is cost-effective. Currently the focus is on high technology, fifth generation computers, optical fibres, aerospace and so on where the government essentially mobilises industrial and academic talent and gives it leeway.

● Rationalisation. The government directs the winding down or diminution of troubled industries (most recently petrochemicals, aluminium, and oil refining and marketing); the process can be difficult, even brutal, but is aided by the very strong national sense of equity—that even a smaller pie can be sliced up many ways.

Where Japanese industry has run into export curbs (cars to "sarakin," the ruthless consumer loan organisation). On occasion the Government's guidance may be superfluous, but at other times it may be backed by real sanctions.

● Procurement. Inevitably, the Government prefers to "buy Japanese" and the foreign foot in this dor has not penetrated beyond the little toe nail.

But it is not all a one-way street, with the exercise of power flowing only from government. Industry has some potent lobbies of its own. The best known is the Keidanren, the employers' federation whose clout far outstrips that com-

manded in the UK by the CBI or in the U.S. by the Chamber of Commerce.

Individual industry associations are not far behind, nor, of course, is the farm lobby. For all of them, the central point is that they combine to undermine the ruling Liberal Democratic Party, with whom the bureaucracy has, as previously mentioned, a well-established relationship. It is an apparent that nobody wants to overturn by being too assertive.

In addition, the notional power of the bureaucracy is often irritated by the fact that it is increasingly under attack for making Japanese curricula too rigid.

The bureaucratic reluctance to cede authority is strong, however. The denationalisation of two government monopolies carried out under the banner of "administrative reform"—of NTT, the telecommunications entity, and the Tobacco and Salt Monopoly—is being conducted with extreme caution and gradualism.

and MITI against Education's usually insignificant Cultural Affairs Agency (on copyright laws, a battle which MITI did not win).

This is but a partial list and vested commercial interests have shown themselves eminently capable of exploiting such divisions.

However, one Ministry has tended to enjoy a predominant position in Japanese bureaucratic history. Earlier in the century it was the Interior Ministry, the repository of so much power that General MacArthur ordered it broken up. For most of the post-war years, MOF has ruled the roost, simply because of its control over the budget, though MITI certainly had its day in the sun in the 1960s and 1970s.

Diversified economy

The great question now is whether the bureaucracy is up to the challenges of a more diversified and open economy in society. In another article in this survey, Mr Shizuo Takami of JVC argues that the bureaucracy has, as previously mentioned, a well-established relationship. It is an apparent that nobody wants to overturn by being too assertive.

MOF will be presiding over a progressively more liberalised financial system in which some of the old demarcation lines seem bound to break down: the Ministry of Education is increasingly under attack for making Japanese curricula too rigid.

The bureaucratic reluctance to cede authority is strong, however. The denationalisation of two government monopolies carried out under the banner of "administrative reform"—of NTT, the telecommunications entity, and the Tobacco and Salt Monopoly—is being conducted with extreme caution and gradualism.

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Foreign policy keeps to a passive path



Mr Shintaro Abe (right), Foreign Affairs Minister, leads a delegation to an OECD meeting. The Japanese seem to be disenchanted with the EEC.

IT IS now apparent that the long standing post-war thesis on Japan's foreign policy — basically that it had none which was independent of U.S. requirements — is out of date.

The emergence from the cockpit may still be halting but it is, by now, probably irrevocable, even if a subsequent Prime Minister is less vigorous in pursuing greater international exposure than is Mr Yasuhiro Nakasone. Government, business, and even the average Japanese citizen, who travels more widely than hitherto, have all come increasingly to regard the world, rather than the narrow confines of the Japanese archipelago, as their oysters.

Yet greater awareness of the larger world has not, remarkably as it may seem, been matched by heightened internal debate over what role Japan ought to be playing. Mr Nakasone's attempt to define it has been greeted with indifference at home. Foreign policy debate in the Diet remains extremely sterile, still largely framed and constrained, by constitutional and other political shibboleths.

Only occasionally does the nation get aroused on an external issue: anger over the shooting down of the Korean jet liner, for example, which involved substantial loss of Japanese life; demonstrations over the presumed presence of U.S. nuclear weapons in Japanese waters, though such protests are but shadows of those of the 1960s; a surge of criticism if Mr Nakasone is seen to go too far in his public statements, especially while overseas.

The normal attitude, however, is indifference or silence which can be construed as the same thing.

This is a state of affairs which, by and large, suits the interests of the professional bureaucrats in this case principally, but not exclusively, the Foreign Ministry. Whose responsibility is the conduct of external policy?

Yet it is a testament to the relative importance of foreign policy in the Japanese mind that its Foreign Ministry, for all the competence of its personnel, does not rank as one of the truly heavyweight constituent parts of the government. That honour belongs, incontrovertibly, to the Finance Ministry, with the Ministry of International Trade and Industry following close behind.

And both these two Ministries, within the confines of their jurisdictions, can be important foreign policy players. MOF jealously guards Japan's international and bilateral financial and economic interests. MITI its trade parameters, subject still of central significance to the wider web of Japanese foreign relations.

MOF tends to be conservative, MITI less predictably so, but both stand in sharp and often powerful contrast to the internationalist school in Japanese thinking, which still resides very much in its Foreign Ministry.

Complicating the process can be the presence of a Prime Minister who enjoys foreign affairs as palpably as does Mr Nakasone and who does appear, on occasion, to be willing to entertain that un-Japanese concept of taking a risk.

In the run-up to the London summit, for example, the Foreign Ministry was visibly

GOVERNMENT & POLITICS



Here and on the next two pages Jurek Martin examines Japan's view of its international role and the country's relationship with the U.S., which remains a cornerstone

nervous that Mr Nakasone was going too far in his public hints that Japan might be in a position to play some form of middle role in the Gulf War, because it enjoys good relations with both Iran and Iraq.

This seemed to fly in the face of the official Minister's position which tends to stress the limitations on, rather than the possibility of, independent Japanese action. In the event, it appears, Ministry caution prevailed because Mr Nakasone pulled no rabbits out of the hat.

However, in spite of the permitted Japanese intransigence over foreign policy, there are some common denominators on which all participants clearly agree. The first, and most obvious, is that the relationship with the U.S. remains the cornerstone of Japan's external edifice. It is no longer merely the case that the U.S. protects Japan militarily and buys more of its goods than anyone else; as the balance of power in the U.S. appears to be shifting perceptibly away from the Atlanticist eastern establishment in favour of those who see the Pacific basin as the home of America's real and future interests. As a general rule, this evolution suits Japan rather well.

In the first place, it legitimizes an enhanced Japanese role on its regional doorstep, mainly because of the memories of the last war, partly because of domestic political constraints, this principally takes an economic and commercial

approach towards Japan.

But it also reflects the fact that even known Japanese public opinion poll invariably places the Soviet Union close to the bottom of the list of countries for whom Japan has any esteem or regard. Even the commercial lure is less enticing than it was, as the People's Republic has replaced Russia as a commercial customer.

The third constant is that Sino-Japanese relations should

continued to improve and

deepen. Exchanges of visits at the highest level certainly have done no harm. They have also given Japan a new diplomatic window, and conceivably some substantive role, on what might happen on the Korean Peninsula, an area of concern central to Japan. The planned visit of the South Korean President, Chun Doo Hwan, to Japan in September may give further clues as to what might be expected here.

The evolution of Japanese-European relations, however, is less clear. Japan has relatively few quarrels with most European nations other than the commercial, and these vary in intensity (negligible with the UK, for example, more pronounced with France).

But Japanese officials do appear to be becoming increasingly disenchanted with the European Community as an institution, for all the public protestation to the contrary, simply because negotiations seem endlessly bogged down in the minutiae of trade disputes. Japan's desire to be acknowledged as part of the West strategically and commercially, obviously presents potential problems as well as rewards, for Europe. But, from the Japanese perspective, the Community as a whole, if not always individual nations, seem incapable of recognizing the inevitable tension. Thus it irked Japan that M Gaston Thorn, the EEC president, was so noticeably cool towards Japan's initiative for a new multilateral trade round when he was in Tokyo in May.

Contribution

Even if self-servingly, Japan sees its proposed Nakasone round as the sort of contribution it can, and should, make in global affairs and tends to contrast U.S. enthusiasm for it, albeit politically tinged, with European indifference. That Europe and Japan can work together, even against the U.S., is not in doubt, as their joint campaign against U.S. military taxation demonstrates.

In any country, it is always a moot point if policy should follow or lead public opinion. Japan's off-cited preference for consensus building and the innate caution that has always marked Japanese governments since the war suggests that the gap between the two here should not be wide.

But it is precisely the absence of dogma on foreign policy that makes it tough to judge the speed with which Japan will become an assertive force on the world scene. There are others, of which Mr Nakasone is undoubtedly currently the most distinctive, but the rest of the body remains strangely passive.



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Politics

Leadership elections in November are likely to favour the Prime Minister

Tanaka faction shadows Nakasone

The LDP

JUREK MARTIN

AT THE time of writing, which is a fact of necessity, not significance, the popular view in Japan is that Mr Yasuhiro Nakasone will be returned to his old post of prime minister of the ruling Liberal Democratic Party, and will thus serve probably another two years, possibly less, as Prime Minister of Japan.

As the Japanese like it put it, there is this summer "a mood for Nakasone." But it certainly is an irrevocable mood, does it demonstrate that the man who has been Prime Minister since November 1982, is in the process of duplicating at home the popularity and esteem that he undoubtedly enjoys overseas. On the contrary, it reflects the state of power politics in Japan, to which policies are largely irrelevant and personalities are only of variable importance.

There is, however, one man who plays power politics better than anybody else. He is, of course, Mr Kakuei Tanaka, Prime Minister from 1972-74, now appearing against his conviction last October of accepting bribes while in office from the Lockheed Aircraft Corporation in return for facilitating the sale of the U.S. company's TriStar airliner to a domestic carrier. As a personality, he is widely reviled in Japan, especially by its media, yet also admired more openly by his own electoral constituents in Nugata who returned him to the Diet last year with the biggest majority he has enjoyed in 30 years of public life.

Strength

Mr Tanaka endures because he plays the political game better than any other politician. He presides over the largest parliamentary faction inside the LDP, its strength in good measure the result of its leader's exquisite use of patronage and his unparalleled understanding of how to run a smooth political machine. Everything that has ever been practised in the U.S. by such past masters as Boss Tweed, Frank Hague and Richard Daley has been absorbed and given a Japanese flavour by Kakuei Tanaka.

The efficiency of his machine far transcends his personal legal problems. Last December's general election was widely, and not wholly inaccurately, seen as a referendum on his presumed malevolent influence on Japanese political life—and indeed the LDP (his party, though he sits in the Diet as an independent) did very badly; it came within a hair's breadth of losing its overall majority.

Yet the power of the forces beholden to him was not much impaired. Not only was he resoundingly returned, but his faction lost less than did most of his principal intra-party rivals. In a subsequent LDP recruitment drive, conducted principally for fund-raising purposes, nearly half the new members were signed up, it is understood, by Tanaka cohorts. There have been predictions of the break-up of his faction or the demise of his personal control for years, but neither has yet happened.

As a result, there is today a general recognition that Mr Tanaka cannot be simply brushed from political life. This summer only the Socialists are seriously still talking about trying to oust him from the Diet, a far cry from the heady days after the Lockheed verdict last autumn.

Independence

There is no lack of constitutional, moral, and legal justification for Mr Nakasone to assert the independence of the judiciary. But the practical effect has been to give Mr Tanaka more time to exert his power—and for a man to whom power is mother's milk, time matters.

The informal Nakasone-Tanaka alliance has, it must be incessantly pointed out, more to do with politics than politics. But its existence does create problems for those who want to challenge Mr Nakasone in November. Surprise candidates are, of course, not a feature of the Japanese political system, so the would-be LDP presidents and prime ministers are easy to identify. They have all been, or are, ministers, the product of

having risen steadily and carefully through the party ranks.

This year's four candidates are: Mr Takeshita (whom Mr Tanaka has ruled out); Mr Kiichi Miyazawa, whose policy strength is economics, but who holds no office at present; Mr Shintaro Abe, now Foreign Minister and acting head of the Fukuda faction; and Mr Toshio Komoto, a businessman turned politician, who now heads the Economic Planning Agency, serves as deputy prime minister and runs his own political faction.

Both Mr Takeshita and Mr Abe are probably resigned to their fate, as is another feature of the Japanese political system where waiting is a virtue not evidence of weakness. However, Mr Abe may run in November, to put his marker down, as it were, much as he did in 1982.

Mr Komoto, who also ran in 1982 with high initial hopes that were severely disappointed, is now well into his 70s and probably unlikely to wait. He is a relative economic liberal, the believer in deeper tax cuts and fiscal stimulus. This has not endeared him much to the LDP, in which his faction is the smallest of the big five, but it has made him an object of interest to the centre-left opposition parties, who still talk of seducing him away to head a coalition government. He also happens to be one of Mr

Bearing in mind that Japanese politics have little to do with policies, at least inside the LDP, which is, in any case broadly conservative, the obvious reason why Mr Tanaka is comfortable with Mr Nakasone is that the latter is heartily disliked by another former head of government, Mr Takeo Fukuda.

The so-called "Kaka-Fuku" war has been a dominant force in LDP politics ever since Mr Tanaka beat Mr Fukuda in the 1972 leadership contest. To the extent that Mr Fukuda sees Mr Nakasone as Mr Tanaka's tool, then Mr Tanaka seems inclined to stick with Mr Nakasone.

In return, Mr Nakasone has done Mr Tanaka one specific and one general favour, neither exceptional in their own right but both enough to maintain the bond. The first is that he has ensured that both his first two Cabinets have been well represented by Tanaka foot-soldiers. This shoring out of the spoils of government is traditional in Japan. Indeed it is one of the reasons why the LDP, otherwise driven by factional rivalries, has hung together so well over the years.

The second is that Mr Nakasone has prevented the Diet from inserting itself into the judicial processes of the Lockheed trial and appeal. Japanese law grinds very slowly and an ultimate Supreme Court ruling is probably still years off.

Tanaka's most vocal opponents are: Mr Takeshita (whom Mr Tanaka has ruled out); Mr Kiichi Miyazawa, whose policy strength is economics, but who holds no office at present; Mr Shintaro Abe, now Foreign Minister and acting head of the Fukuda faction; and Mr Toshio Komoto, a businessman turned politician, who now heads the Economic Planning Agency, serves as deputy prime minister and runs his own political faction.

This leaves Mr Miyazawa, a frequent former Cabinet member and highly regarded by the business community, the ruling party's chief economic adviser. It looks as though Mr Nakasone picked Mr Miyazawa out as his principal threat last winter, after the election, and thus excluded him from the Cabinet and any of the major party posts which are generally considered a stepping stone to the premiership.

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Mr Nakasone can count on

the support of his own faction and that of Mr Tanaka who belong to the so-called "mainstream" and reckon to be opposed by those beholden to Mr Fukuda.

This gives him an advantage numerically. Mr Miyazawa is a leading member of the other "mainstream" faction led by another former Prime Minister, Mr Zenko Suzuki, which effectively holds the balance of factual power. But the Suzuki forces may not be squarely behind him; their interests may lie more in cementing relations with Mr Nakasone or in hooking up with the Fukuda and Komoto forces if that seems a political idea.

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much), the current line-up appears to favour Mr Nakasone. In a multi-candidate field he looks assured of the biggest core of support.

There are, however, some caveats. Mr Nakasone's campaign is predicated not on his international expertise but on his success in getting bills through Parliament this summer. He will succeed in the opposition will give him a fresh ride and he does not, in any case, have the reputation of being a good parliamentary manager.

It is also possible that his LDP rivals will find a way to cut a deal, the true nature of which will likely be hidden deep in the woodwork of the political system and unite behind a single strong alternative candidate.

But the greatest caveat of all is Mr Tanaka. The assumption is that he sticks with Mr Nakasone, but every now and then dissonant voices emanate from his camp; that, for example, it is not fair that Mr Nakasone should serve more than two years because none of his five predecessors did; that maybe his support for Mr Nakasone is conditional on him stepping aside after another year; that perhaps he (Tanaka) should loosen the controls on his faction. Political "moods" in Japan can be fickle.

Thus, no matter how the LDP decides to choose a leader this November (there are two alternatives), the odds are stacked against him.

Mr Nakasone can count on



Yasuhiro Nakasone: power
Kakuei Tanaka: bribes

Myth of the monolith

CONTINUED FROM PAGE 1

In neither case will privatisation be clean-cut; with NTT, the government is assured of a majority position for at least five years, possibly more; with tobacco, though imports of the commodity are being liberalised, the controlling authority remains a state corporation in all but name and the complex web of tobacco subsidies remains in place.

The telecommunications market as a whole is being opened up, but the residual power of the government to control its pace and shape remains considerable.

The complicated overall picture, therefore, is of a

country blessed with an unusually competent bureaucracy which enjoys generally good working relationships with its principal partners, the politicians and the businessmen, but which is capable of fighting like alley cats within itself and is far from sure that it knows all the answers.

This hardly fits the requirements of the conspiracy theorists. Those who really want to be disbursed should actually visit the offices of MOF or NTT, the presumed homes of such masterminds. Surely no Grand Plan could emerge from such neo-Victorian squabbling, from such a clutter of paper, on which high tech has made no imprint.

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Mr Nakasone, wearing the kimono, sips tea at his official residence while awaiting the outcome of polls last December

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JAPAN 4



A Tokyo voter, carrying a baby on her back, casts her vote at last December's polls to elect the powerful Lower House of Parliament. The Japanese electorate seems reluctant to remove the ruling Liberal Democrats.

Uncertainties about power behind muted challenge

The Opposition

JUREK MARTIN

THERE IS sometimes a logic to the Japanese political system that is simply unique. On the morning after the general election last December 18, the opposition parties really should have been relishing the future.

All of them, except the Communists, had either held their own or done very well; they had collectively reduced the LDP's comfortable majority in the Lower House of the Diet to virtually nothing; and they had Mr Nakasone apparently on the ropes; they appeared to have two issues going for them—political corruption and the tightfistedness of the government—ripe for future exploitation.

Furthermore, the leading opposition party, the long-derided Socialists, had a new leader who seemed capable of building bridges rather than disintegrating down some ideological blind alley.

Yet a mere six months later the political scene bears little resemblance to that which might reasonably, in another country, have been expected. One of the opposition parties, the small New Liberal Club, is now in a coalition with the LDP, from which it had broken away eight years before.

The third and fourth largest parties, Komeito and the Democratic Socialists, were openly talking about the same recourse.

Mr Masashi Ishibashi, the Socialist leader, was energetically flying the flag of respectability as far afield as Ronald Reagan's Washington (and Moscow and Peking to boot) but was getting scant response at home.

Forgetting their unity of last autumn, only the Socialists seemed interested any longer in the Tamika case; the New Liberal Club swore it was working to raise the standard of political ethics from the inside but few people could discern the fruits, let alone the labour; as the economy recovered, the debate over fiscal policy lost its bite.

Indeed the only subject apparently capable of producing any form of opposition consensus was the general desire to embarrass Mr Nakasone. The three week opposition boycott,



Masashi Ishibashi: flying flag of respectability.

which did not include the Democratic Socialists, in early June, just before the Prime Minister left for the London summit, was not really the result of disagreement over pending legislation covering denationalisation, national health insurance and the like; it was simply designed to cut Mr Nakasone down to size.

There are no clear-cut answers to the question of why the opposition, collectively backed off, though several partial explanations can be advanced.

The common thread, however, may be that the opposition, which has known only opposition for almost all the post-war years, really has become comfortable with that state. Power, in the shape of seeking to overturn the conservative government, may really hold too many uncertainties.

Affluence

It is undoubtedly also true that the Japanese electorate—which has come to know much affluence under the direction of a conservative, business-oriented party—is more interested in occasionally rapping the Liberal Democrats over the knuckles than in actually kicking them out.

Thus, a widespread belief after the December poll was that the LDP would certainly win the next election, whenever it is held, for that very reason.

What could, or might, undermine the LDP's power base is

electoral reform designed to reduce the voting weight of the agricultural regions.

Yet the opposition, in general, seems disinterested in the idea. The Socialists, in particular, seem more afraid that they might lose more than gain as a result of reform. This is because as the only other proper national party (the Communists run everywhere but are a special case) they get their share of rural seats, true to the Japanese notion of equity.

Even in the cities the centre and left parties seem to be competing for a fixed percentage of the vote. It was significant in the last election where the Socialists and Komeito and the Democratic Socialists pooled their resources and ran fusion candidates they did very well; left to their own party banners they carried each other up.

Both the urban based centre parties, the Buddhist oriented Komeito and the Democratic Socialists, who split off from the left-dominated JSP in 1960 much as the Gang of Four did in Britain a generation later, also seem to have a very precise awareness of their limitations.

In December, for example, Komeito ran 59 candidates and saw all but one elected, a nominally sensational result. But party officials freely concede that if they had run 120 candidates, they probably would still have only won 38 seats.

Neither Komeito nor the DSP advocate policies wildly different from the LDP. Before Mr

Ishibashi began nudging the Socialists towards the middle last year, accommodation with the LDP often seemed a more appropriate course for both of them, and, apparently, in spite of Mr Ishibashi's efforts, it still does.

The basic logic, if that is the word, behind the current coalition talk is that it is more sensible to inflict a challenge to party through dialogue from the outside than from the inside.

This was the official reason for the New Liberal Club joining forces with the LDP at the turn of the year—though Japanese political sceptics suspect that the real price was a Cabinet seat and a lot of under-the-counter money. However, if the dialogue argument is pursued to its conclusion, it leaves open what, if any, meaningful role the Diet would have in Japanese political life.

Consequently, there seems less interest these days in Mr Ishibashi's notion of an alternative coalition, featuring all the opposition parties, excluding the Communists but including dissident elements of the LDP, most notably Mr Toshiro Komoto.

Identity

However this does not mean that a centre-right coalition is in the process of forming quickly. The popular view in Japan is that the New Liberal Club is almost bound to be swallowed up by the LDP and lose its own identity.

Neither Komoto nor the DSP are in a hurry to sign their own death warrant (though the DSP does seem intent on dropping the word "socialist" from its name), and will watch events.

This caution gives Mr Ishibashi at least a little hope. For several months after the election he found himself wrestling with an age-old DSP problem: whether or not Japan's self-defence forces are constitutional, legal, both or neither.

In practice, he feels they cannot be disbanded. But the fact that the debate attracted so much attention is indicative of the baggage still to be shed if the DSP is to be perceived as a potential governing party.

In last year's campaign Mr Ishibashi used to say it would take "two elections" (after the last one) to get the LDP out of power. Just after December 18th, it looked as though there were reasons for his confidence, not this summer, however.

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Economy/Trade

What liberalising the yen will mean

A 66-PAGE report detailing proposed changes in the way Japan regulates the trading of yen overseas, and the rules of its domestic capital markets, was produced in May by the Japan-U.S. working group on yen/dollar exchange rate issues.

The document's theme is one of internationalising the Japanese economy and currency. As such, it has been generally credited, as a victory for a forthright team of U.S. negotiators.

It seems improbable, however, that the agreement would have been produced at all if it did not also embody underlying Japanese desires. The U.S. threw its weight into a domestic argument between the progressives and conservatives of Japan's own financial establishment. It helped accelerate the process of change, while presenting Japan with the opportunity to make market-opening "concessions," politically of a relatively painless nature.

Here are some of the major points from the working group report, with a subjective assessment of what they mean:

• The working group expected that comprehensive measures to internationalise the yen and liberalise Japan's capital markets, which are primarily aimed at achieving world economic efficiency and fulfilling Japan's responsibilities as the second largest economy, will lead to a stronger yen."

• The United States believes the Japanese yen has remained artificially weak because Tokyo has regulated its accessibility to foreigners, and held down yen interest rates. This, the U.S. believes, has given Japan's exporters an unfair cost advantage.

Whether the yen will actually strengthen as a result of these liberalisations is a moot point. In the short term, it will probably weaken if more money flows out of Japan than in, and borrowers issue yen bonds for conversion to other currencies.

The longer-term trend depends on Japan's underlying economic performance, for which the outlook is healthy enough.

"The Japanese Ministry of Finance affirmed its intention to proceed on the deregulation of interest rates on



ROBERT COTTRELL
assesses the effects
of wider overseas
trading of the yen
and the country's moves
to modernise its banking
and financial system

deposits as expeditiously as circumstances warrant without causing market instability... the Ministry of Finance outlined an approach initially centred on the liberalisation of large denomination deposits, then moving on to interest rates on smaller deposits."

• The Ministry of Finance had little choice, given the imminent development of a large offshore market in unregulated yen instruments, and the need to refinance government debt.

Short-term yen interest rates will probably rise as a result of deregulation, while corporate borrowers may find long-term yen gets cheaper thanks to the affection with which bond-buyers are likely to view blue-chip Japanese issuers.

But how far will liberalised interest rates "trickle down" towards the small Japanese depositor, whose returns are regulated—ie kept low—by an official cartel? Innovating for the small customer is a task ahead for competitive-minded Japanese banks.

"Qualified securities firms can get approval to open branches in Japan. If they wish to deal with Japanese residents they should proceed in this way."

government debt is one of the subjects to be studied... to achieve the refunding of Japan's government debt, it will be necessary to diversify the range of government debt instruments in terms of maturity and other characteristics."

• The U.S. wants Japan to create attractive yen assets for foreigners to buy and trade, such as Treasury bills. The Bank of Japan wants a Treasury bill market within which to conduct open-market interest-rate operations. Japanese conservatives in MoF are not so sure. They believe government debt should be financed with cheap long-term bonds, while Treasury bills are a temporary expedient for cash-management purposes only.

"The Ministry of Finance will establish a concrete scheme by the end of 1984 for the creation of a yen-denominated bankers' acceptances market. It is expected that the market will become operative shortly thereafter."

• Bankers' acceptances are a form of negotiable bill used in trade finance. Supposedly, a yen-denominated market will help exporters of goods into Japan, by providing a tool to manage exchange-rate risk.

Bankers' acceptances may prove an interesting financial market in themselves, but it is hard to see them having a marked effect on underlying trade. U.S. dollar invoicing, for instance, must rank low on the list of reasons why Japanese cars sell so well in the U.S.

"The Ministry of Finance is prepared to assist non-Japanese securities firms in efforts to join the Tokyo Stock Exchange."

• If that is, any foreign securities firm is keen to pay the US\$5m which a seat on the TSE is likely to cost. Brokers say that, in strict package terms, it is not worth joining. Better to be a branch, and pay split commission to a broker. But a TSE seat might be good public relations for a foreign broker going after big Japanese clients.

"Qualified securities firms can get approval to open branches in Japan. If they wish to deal with Japanese residents they should proceed in this way."



Shintaro Abe: explaining Japan's import problems to the U.S.

Roger Taylor

	BALANCE OF PAYMENTS			
	(Sm)	1982	1983	1984*
Imports	119,291	112,510	122,282	137,515
Exports	138,021	145,071	158,692	174,361
Trade balance	18,730	32,561	35,810	36,846
Invisibles balance	-9,890	-8,704	-9,067	-10,316
Transfers	-1,352	-1,601	-1,765	-1,950
Current balance	7,489	22,256	24,977	24,577
Excluding oil bill	53,438	61,861	64,314	67,424
Long-term capital	-14,972	-18,278	-18,882	-15,769
(net inflow)				
• Forecast				

Source: Daiwa

as national governments and international organisations will be authorised to issue bonds in the Euroyen market

a number of steps have been taken to liberalise Euroyen bond issues by Japanese residents... there will be no guidance, restrictions or requirements on lead managers or Euroyen bond issues."

• Foreign banks will be able to compete for the most profitable roles in Euroyen loan syndicates. Euroyen borrowing

is likely to be more flexible and finer-priced for bond issuers than in the "samurai" market of foreign yen-denominated bond issues within Japan.

But given the prevailing wisdom that yen exchange risk is all on the upside, corporate treasurers would be foolish indeed to chase low nominal interest rates, as some did with the Swiss franc a decade ago.

Foreign banks will be able to enter the trust banking business in 1985.

• Foreign banks can already do plenty of things in Tokyo, in theory at least. It is just that Japanese customers would rather do business with Japanese banks, while bureaucratic procedures can be disproportionately cumbersome for foreign banks with small local staffs.

The Ministry of Finance has taken and will take various policy measures to help develop the Euroyen market... effective December 1st 1984 non-Japanese private corporations, state and local governments and government agencies, as well

probably, seven foreign banks will form joint ventures with

Japan's seven licensed trust banks. The main attraction is the chance to manage Japanese corporate pension fund money.

With U.S. pension funds also investing more abroad, the big money-management institutions see the future in global terms—necessitating a leg in each of Europe, Japan and the U.S.

Will they win Japanese market share, or serve as a whetsone to sharpen up Japanese managers? History suggests the latter.

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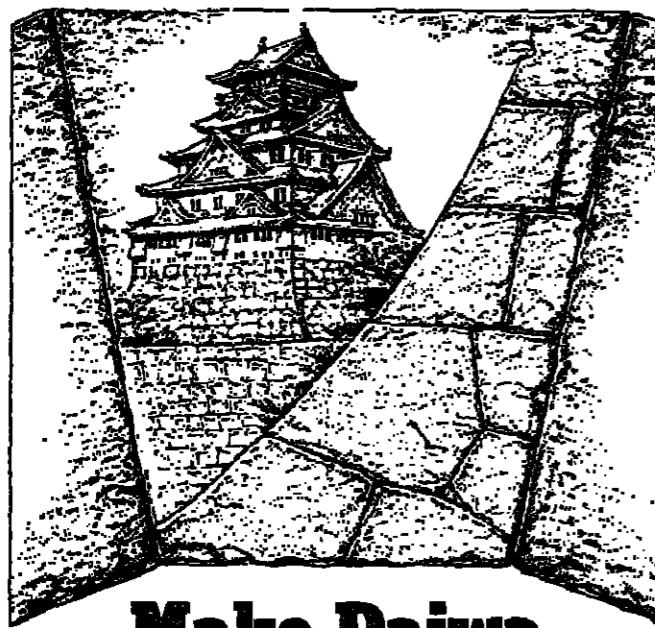
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Ltd., Hong Kong

Banking

ROBERT COTTRELL

JAPAN'S banking system underwent its major transformations during the Meiji restoration, and in the period following the second world war, including the U.S. occupation. Since then, so little has changed, that while Japanese industry is among the most modern and progressive in the world, Japanese finance has remained introverted and antiquated.

Successful international pressure on Japan to internationalise its economy and deregulate its financial market is beginning now to result in a third major upheaval for the financial sector. The first phase of this current round of liberalisation is designed to make easier the lending, borrowing, and holding of yen overseas—"Euroyen"—and to open up particular areas of Japanese finance to foreign institutions.

These developments are likely to provoke a second phase of liberalisation, this time of domestic capital markets, to restore the competitive position of Japan's own financial institutions.

The most important job for Japan's financial bureaucrats, says Mr Prindl, a former Tokyo general manager of Morgan Guaranty Trust, compares Japan's monetary authorities to the cho-ro, or elders, of a rice-paddy village, whose duties included the allocation of scarce water to individual farmers. The cho-ro would make their allocation on the basis of the benefit of available water, not to the particular farmer, but to the village as a whole.

The period of national reconstruction is over, and the financial market is no longer controlled by the government.

The country's financiers have a history equalising that of their European counterparts. In the 17th century, there was a lively market in foreign exchange trading and arbitrage between Osaka, which favoured a silver-based currency, and Tokyo, which used a gold standard.

By the mid-17th century, Osaka recognised 10 note-issuing banks, and a bankers' association which functioned as the bankers' own central bank.

The period of the Meiji restoration (1868-1912) and the World War II aftermath both saw Japan struggling with remarkable success, to build a diversified industrial base virtually from scratch.

By the end of the 19th century Japan, which had been closed to the world for 250 years to 1853, had built up capacity in each major class of heavy industry.

During the Meiji period, the Japanese Government made some quick experiments in the banking sector before arriving at its preferred structure.

U.S.-style national banks were licensed, with note-issuing powers. The first, established in 1873, was called "Daiichi Kokuritu Ginko," alias "First National Bank."

A year later a system of postal savings began

(Depositors with Japanese postal savings bank can enjoy today tax advantages and preferential interest rates which help generate a steady flow of funds for investment into public sector project finance and debt—a social role which is likely to guarantee the preservation of a

strong postal savings system whatever realignment may affect other Japanese credit institutions.)

In 1883, the Bank of Japan was established, to occupy a position analogous to the Bank of England, and the note-issuing powers of the private sector were ended.

The preceding financial genius of the Meiji restoration was Prince Matsuyoshi Matsukata, Finance Minister, whose major achievement was the 1882 Bank of Japan Act. He oversaw creation of the Yokohama Specie Bank in 1880, a specialised part-public part-private foreign exchange trade finance bank which was later to become the Bank of Tokyo.

Long-term credit banks were reorganised in 1952, now on a purely private-sector basis, with the special privilege of being able to issue long-term debentures to fund long-term assets.

Short-term business was to be the province of mainstream commercial banks, which could not raise long-term debentures, but funded instead through call and time deposits of up to two years.

Many private-sector banks failed to survive. Japan had 418 commercial banks before the war, 64 after it (in 1951, it had 1,267). The surviving commercial banks fell into two main categories: city banks, with large urban deposit bases, and smaller and more rural.

The largest city bank, Dai-ichi Kangyo, is total asset terms, the largest bank in the world.

The regional banks are on average one-ninth the size of the city banks, and essentially competing for the same type of business—retail and corporate short-to-medium-term lending.

These banks cannot issue long-term debentures, but can draw retail funds from extensive branch networks. Regional banks can offer customers a slightly higher interest rate on time deposits than can city banks, a feature of Japan's managed interest-rate structure.

Joint projects

Other specialised banks set up as joint public and private-sector projects were the Nippon Kangyo Bank, Hokkaido Takushoku Bank, and the Industrial Bank of Japan in 1902 for long-term loans to industry for capital investment.

The second post-war restructuring of the Japanese financial system began with the loss of banks' overseas branches, and much of their local business.

National defeat and U.S. occupation saw all colonial and special wartime banks closed, and the imposition of U.S.-type regulation separating banking and securities businesses.

The Japanese government set up a series of particular banks to do urgently needed jobs.

These were not so much entrepreneurial institutions as simple channels for applying funds to certain specific needs.

Included the People's Finance Corporation (1949); the Export-Import Bank of Japan (1950);

the Japan Development Bank (1952); the Housing Loan Corporation (1950); the Agricultural, Forestry, and Fisheries Finance Corporation (1952); the Small Business Finance Corporation (1953) and others to follow, each raising its funding from government capital or debt.

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Compartimental

The third major category of commercial institution is made up of the "trust" banks, seven in total, licensed to undertake trust business including the management of pension funds, and the sale of investment certificates to the public.

Thus the basic differentiations between Japanese banks have come to be that: only trust banks can undertake trust business; only long-term banks can raise long-term debenture rates; only city and regional banks can have extensive branch networks, while regional banks can pay slightly more interest to depositors to

compensate for their smaller size; and no bank can underwrite issues of securities.

Such a compartmentalised system has helped the Japanese government alleviate once-scarce capital resources to the private sector, with demonstrable success. But with the Japanese economy now in a mature phase, companies have started borrowing less and saving more, while individual savings are still high, by world historic standards if not by Japan's own standards.

Japan's monetary authorities

downloaded "window guidance"

as their preferred means of credit control in the mid-1970s

"window guidance" being instruction to individual banks on how much they should lend to individual sectors and sometimes to individual borrowers.

Instead, the government adopted interest-rate management at its principal tool of monetary control.

This involved influencing expectations about future interest rates through "open market" operations. This policy in turn required the opening-up of markets to influence: by 1978, interest rates in bill discount, call, and yen certificate of deposit markets were deregulated.

However, this freeing of rates stopped short of rates paid by banks to their own depositors.

Critics say the government has

a vested interest in keeping banks' deposit rates low,

because it helps the banks buy bonds from the government at artificially high prices, thus reducing the cost of funding the budget deficit.

The Japanese government has promised a "step-by-step" liberalisation of interest rates on larger deposits, effectively making a virtue out of necessity.

The approaching maturity of large tranches of government bonds is already beginning to offer more sophisticated deposit-

tors the prospect of unregulated but effectively risk-free short-term returns.

A liberalised Euroyen market will offer a correspondingly deregulated long-term market to lenders and borrowers, presumably heralding the end of the capitalising of long-term prime lending rate in Japan itself.

Strengthened

Liberalised interest rates are likely to strengthen the position of banks already skilled at managing their liabilities—the city banks, the larger regional banks in particular. City banks may also prosper from the promised flow of foreign banks into trust business. In Japan which, by ending the trust banks' specially-protected status, can only have hastened the day on which other Japanese banks, too, will be allowed to compete for trust business.

The entry of city banks into trust business would help them build up portfolios of long-term business.

It would also cut into trust banks' traditional source of earnings, pricing the trust banks themselves in competition to expand their non-trust mainstream banking business.

If it is possible to see the breakdown of formal distinctions between long-term and short-term banking business in Japan, and the liberalisation of interest rates, the distinction between banking and trust banking—writing business more secure—if only because the United States, maintaining its own such distinction, can hardly press for abolition.

Perhaps Japanese banks will in time be allowed, through offshore subsidiaries, to lead manage Euromarket bond issues, in which case the door will have opened more than a crack. The bankers themselves, having felt too long on the defensive against the aggressive, fast-growing securities houses, are urging the logic of such a development.

Competition begins to work in favour of the outsider

Bond Markets

JEREMY STONE

THE RECENT Yen liberalisation agreement between Japan and the U.S. lends itself to a pair of natural but opposed interpretations.

The first is that faced with the sight of Mr Regan huffing and puffing with threats to blow down the doors of the Tokyo marketplace, the Japanese managed to get away with scarcely any serious damage.

Or this view they gave up little more than a promise to let foreign institutions into the waiting room at the Ministry of Finance. It may well be that the opening of the trust bank business to foreign banks is going to be of this frustrating character.

Genuine concessions

In contrast, the changes which have been made to the Yen bond markets may amount to genuine concessions, however circumscribed. The relaxation on credit ratings for foreign borrowers of domestic yen, and the extended list of Japanese borrowers qualified to present themselves in front of Euroyen lenders could result in a simultaneous broadening

of the Samurai and Euroyen markets.

However, the relaxations do not appear to apply symmetrically in the two markets, so that there is every prospect that the expansion of Euroyen activity—regarded by the U.S. Treasury as a precondition for internationalising the yen—might take much of its impetus from a reining back in the volume of samurai issues.

This is because, despite the official loosening of conditions on the issuance of samurais, the process of getting a domestic yen bond off the ground is—in the words of a leading participant in the market—harrowing in the extreme.

To grapple with the samurai market is just not a rewarding business; disclosure requirements are excessively detailed, and in Tokyo yields are so compressed that differences of 5 or 10 basis points can become a life or death negotiating matter.

Moreover, the cartelised nature of bond underwriting arrangements in Tokyo normally means that although the four lead managers may compete furiously with each other to get the business, they afterwards collaborate in ways at which borrowers look askance.

In the last two or three months it appears nevertheless that intra-mural competition has been working to the advan-

tage of the foreigner, in the sense that the managers have persisted with aggressively low coupons despite an embarrassing flow of flops.

Perhaps not too surprisingly, the insurance companies and city banks which take on the underwriting eventually re-

believe in the growing demand for unsold paper which resulted from a bout of price-machining. In a game where rising dollar interest rates call most of the shots, forcing the Japanese government to shelve its long bond issue in June, it was impossible to go on pushing out samurais indefinitely as if international market yields had remained stable.

The main puzzle is why, with so few Japanese assets in financial non-Japanese should wish to borrow yen at all.

If the persistent Japanese surplus is allowed to cause an appreciation of the yen, the low nominal coupon on yen bonds could prove something of a snare.

But perhaps borrowers just disbelieve the propaganda which says that the yen is no longer going to be a managerially depressed currency.

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Finance

Fund-raising drain is feared

Local banks face offshore challenge

Financial liberalisation

ROBERT COTTRELL

THE internationalisation and liberalisation of the Japanese financial system is all very dynamic and exciting, frets a Japanese banker, but aren't Japanese regulators rather overlooking the health of the domestic banking sector in their efforts to open up to foreigners?

The yen-dollar accord reached in May does indeed open up financing opportunities in the Euro-yen markets—but to just about everybody except Japanese banks themselves, protests this banker, who works for one of the "city banks," Japan's bloc of 13 large mainstream commercial banks.

Supposing, he protests, a Japanese industrial company were to float a Euroyen bond, the lead manager could, under the new liberalisation proposals, be a unit of, say, European universal bank. It could be the securities offshore now operated by most large British banks. Or it could be the overseas subsidiary of a Japanese securities house. But it could not, almost uniquely not, be the overseas subsidiary of a Japanese bank. Is that fair?

Or another example. The more energetic city banks have long eyed appreciatively the pension fund-management business which is the protected preserve of Japan's seven "trust" banks. At long last, the trust banks are to be exposed to the winds of competition. But from where will that competition come? Foreigners, who are to be allowed to compete for trust business while other Japanese banks are not? Is that fair?

This banker believes that the current wave of capital market liberalisation may have the general effect of making offshore markets so attractive as to drain a "substantial" amount of fund-raising activity.

PROFILE: A FOREIGN BANKER IN TOKYO

Diversification away from the mainstream

"WE SAT down," confesses this foreign banker in Tokyo, "went right back to basics, and asked ourselves—is it worth it?" The return on assets is low. Companies below the first sector on the Tokyo Stock Exchange are dodgy. We don't understand smaller companies, and we produce what everybody else produces."

This particular bank, one of the largest in the world, decided that Tokyo was too important a financial centre, with too great long-term potential, to let go. Instead, its local office will diversify its range of services away from mainstream towards fee and commission-based services in the hope of generating more new business.

But don't Japanese officials maintain that there is essentially no discrimination against foreign banks in Japan, that they have the same funding and lending opportunities as locally incorporated institutions? "But I don't care what anybody says—this has been at least until now the most highly regulated financial environment in any developed country. Despite all the talk about liberalisation, progress has been absolutely minimal. Seeing is believing," replies the foreign banker.

An example. "We are free, we have been for years, to make foreign currency loans to borrowers offshore." It means, in asking permission, "Full details of the loan, in writing, are taken down to the ministry by two representatives of the bank."

Asking permission

"We have to pre-advise the Ministry of Finance. It means, in asking permission, 'Full details of the loan, in writing, are taken down to the ministry by two representatives of the bank.'

"If you are a city bank, with thousands of employees, two people is point zero zero zero something of your staff. We have one hundred people here. Two people is 2 per cent of them. We have no complaints on a personal basis. It is just the amount of time. The desperate amount of time."

Winning Japanese corporate clients has not been a

away from the domestic sector—unless some of the rules are changed.

Traditionally, domestic bond issues in Japan have been secured on assets. That practice is too cumbersome, believes this banker, and should stop. The market also needs a bond rating service with an authority comparable to that of Standard & Poor's or Moody's in the United States.

Banks should be free of "administrative guidance" on the supply and pricing of credit, freezing interest rates to be set truly by supply and demand. Fixed commission structures for securities trading and underwriting should go, in favour of negotiated charges.

Challenge

With changes of that kind, believes this city banker, Japan's domestic financial sector would meet the offshore challenge on equal terms. Of course, not all domestic institutions would profit equally from deregulation. Some would grow, while others might shrink, even need help.

So be it. The government should be ready with the means and expertise to limit any local crisis. There are examples in other countries of the assets and liabilities of a troubled bank being absorbed, through rescue and merger, by other institutions.

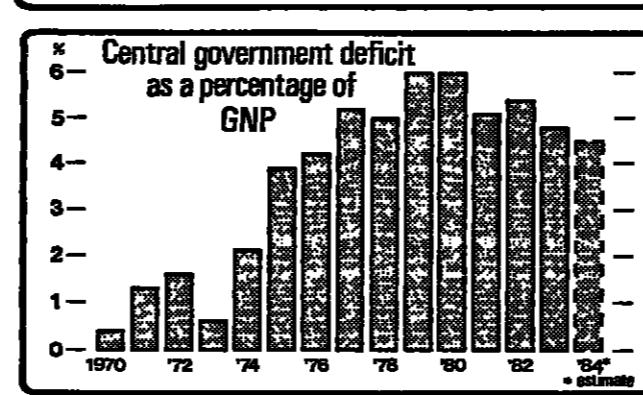
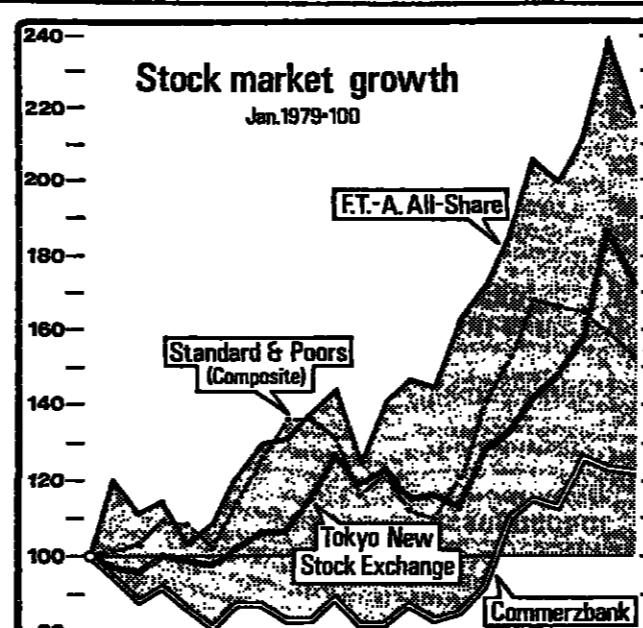
But will anything make the Japanese system freely competitive while impenetrably tight bondage persists between major banks and major corporate customers? The city banker acknowledges that such tight links exist, historical in origin but with perfectly sound justification for their continuation.

Principal bankers, he says, are there through bad times as well as good. It is no use a corporate client chopping and changing his bankers in search of cheaper service through profitable years, and then expecting any one of them to support his company through a rocky patch. The main bank big client relationship is one of long-term mutual interest.

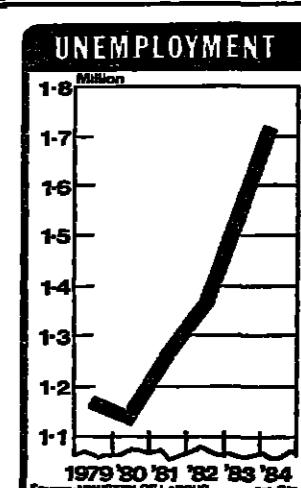
The "core" banking relationships of large companies are likely to continue, believes the city banker, though customers may shop around more for peripheral services, perhaps using tactics enough to make their main bank's advice as to whether to do peripheral shopping.

Looking to the future, the banker believes that the segmentation of Japan's banks into longer-term short-term credit institutions will support more differentiated customer bases. Japanese banks, he says, should grow and specialise on the basis of competitive success, not regulatory niches.

In a competitive environment, some banks would emerge as the "universal" giants, some as strong retail deposit-takers, some as wholesale institutions, some might remain purely regional entities. Already, he argues, there are too many banks chasing after basic mainstream banking business. The regulators, he believes, should let market forces select a few winners and losers, with—if unavoidable—a "shake-out."



Tokyo stock exchange: Tokyo's importance as a financial centre has been reached in spite of obstacles for foreign institutions



Tokyo stock exchange: Tokyo's importance as a financial centre has been reached in spite of obstacles for foreign institutions

Source: Ministry of Labour

1979 '80 '81 '82 '83 '84

Source: Morgan Guaranty

1984 Jan-Apr

1984 Jan-Apr

All countries -10.7 20.4 27.9

FOB balance of payments

Germany 2.3 10.0 3.5 41.9

UK 1.8 3.1 2.1 31.6

East Asian NICs* 10.8 12.7 21.0 33.8

* Hong Kong, Korea, Singapore, and Taiwan

Source: Morgan Guaranty

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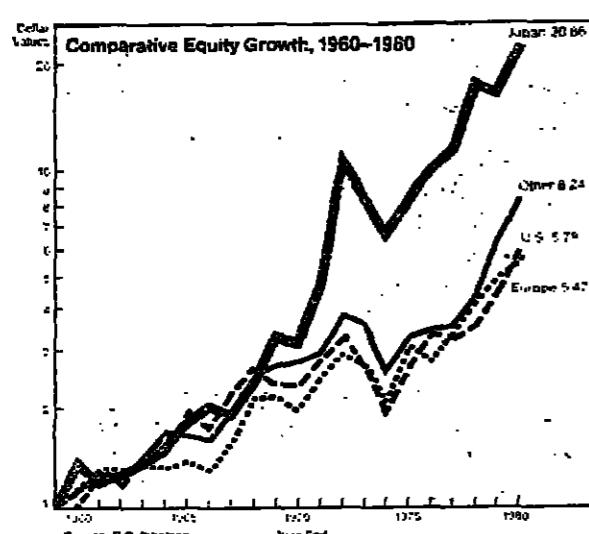
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Businesses which know no frontiers

Trading houses

ROBERT COTTRELL

tic skills in creating industrial and commercial affiliates which became the sogo shosha's prime customers, and developing enduring client relationships with other existing companies.

The sogo shosha's most important historic relationships are with particular large banks, guaranteeing them a degree of financial stability far greater than that apparent from their balance sheet. Mitsubishi Corporation is linked to Mitsubishi Bank; Mitsui and Co to Mitsui Bank; Marubeni Corporation to Fuji Bank; C. Itoh to Dai-Ichi Kangyo Bank. These banks rank among the largest in the world in asset terms.

The strongest survived even the methodical dissection imposed by Japan's post-war U.S. administration. Mitsui and Company, then the largest sogo shosha, was split into over 200 separate companies in 1947. By 1955, it had been reassembled, and now handles about 10 per cent of Japan's exports.

Sogo shosha are businesses without frontiers, merchants of commodities, manufactured goods, and turnkey projects. They handle Japanese exports and imports, transactions inside Japan, and business solely between overseas buyers and sellers. This last category of offshore business is small — about one-seventh of the "big nine" sogo shosha's aggregate sales — but growing.

The sogo shosha are among the last unaligned promoters of "big is beautiful." The big nine handle between them, over half Japan's foreign trade. Marubeni Corporation proudly notes that its offices exchange every day enough information to fill 1,400 pages of the New York Times. They are, individually as well as collectively, larger traders than most sovereign states. Mitsui and Co. became in 1982 the fourth-largest exporter of goods from the U.S., after Boeing, General Motors, and General Electric.

Diversified

Companies and governments abroad have talked of copying the sogo shosha form — South Korea having come closest in practice with its own diversified conglomerates. The time may well have passed, however, at least for other developed and near-developed countries. The Japanese pattern suggests that companies of the scope of sogo shosha need to grow up alongside a manufacturing and trading sector, rather than being graftable on later.

The financial statements of a sogo shosha would horrify a stock or bank credit analyst if they were published by almost any other company in the world.

Debt towers over a tiny equity base, yielding a small, volatile net return to shareholders. Sogo shosha look like they could be wiped out by a bad year; but the oldest are into their second century of business.

Sogo shosha owe their surprising strength to being part of a larger system. They are skilled in day-to-day dealmaking, but their growth and present size owes more to their past parent companies — strategic and diplomatic.

The big sogo shosha managed to survive the post-war dissection, in part because the Japanese Government wanted them to do so. The post-occupation government not only blessed their reconstruction but, on the 1950s channelled to them precious foreign exchange, second in line only to the manufacturing companies without which there would have been nothing for the sogo shosha to export.

The Japanese Government of the time had also blessed the birth of the first sogo shosha in the 1930s, when it wanted Japanese traders in Japanese hands and away from the foreign companies which controlled it. The Japanese Government had before it the unedifying example of China's territorial integrity being continually undermined by the demands of foreign governments for ceded or leased trading posts, such as Hong Kong.

But if sogo shosha were needed then, are they needed now? Detractors liken them to dinosaurs: large, unwieldy, left behind by economic evolution.

The sogo shosha, say critics, are on their way out because

JAPANESE INDUSTRY is now led by its car and electronics manufacturers, which prefer to do their own sales and distribution.

The more sophisticated a manufactured product, the more it needs its own specialised sales and after-sales service network.

Sogo shosha look likely to handle a decreasing proportion of Japan's increasingly high-technology exports.

JAPANESE BANKS are finding loan demand slack, as slower economic growth means companies are making less capital investment and using profits to repay debts. In the past, banks have lent "whole sale" to sogo shosha to provide

for sogo shosha to provide "retail" trade, finance, and sometimes investment capital to customers.

In earlier times, banks may prefer to go straight to the smaller customer, rather than to the sogo shosha.

At the other extreme of commercial sophistication, the sogo shosha are well placed as intermediaries for the barter trade which has become increasingly popular with cash-strapped developing and communist countries. A Japanese car manufacturer, offered payment in coffee or cabbages, would be perplexed. For the sogo shosha, coffee or cabbages are just cash by a different name.

CORPORATE CULTURE



All in Japan is not the total efficiency believed in the West. There are individualistic business styles, and the industrial workforce handles stoppages in its own way.

WHAT THE TRADING HOUSES DO

- Market research, identifying channels of supply and demand for products and services worldwide;
- Making introductions between potential buyers and potential sellers, possibly a chain of buyers for harder transactions, and helping them agree a deal;
- Providing trade finance for a deal, perhaps also project-related equity or long-term loan finance;
- Getting through international red tape with legal advice and documentation;
- Transport of goods;
- Gathering of information, both for customers and for own credit and risk analysis.

but as generalists rather than specialists, despite the increasing need for specialists to win higher-technology business.

Rather than presume another obituary, it is worth looking at where the sogo shosha are catching up. They account for some early investment in the new communications technology which promises massive capital projects in Japan over the next decade: Mitsubishi Corporation is one of the founder management group shareholders in "daihi denden," the consortium which hopes to become Japan's second common carrier of telecommunications following next year's planned deregulation of the industry. Mitsui and Co, and Marubeni Corporation, are investing in television, and datacommunications circuits.

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Shizuo Takano, senior managing director of JVC, talks to Jurek Martin

Exposing some myths about Japan

THOSE WHO believe that all Japanese businesses are dull and overzealous should try sitting down with Mr Shizuo Takano, the senior managing director of JVC — who is sometimes described as the "father" of the VHS system video cassette recorder.

The truly fortunate will find Mr Takano holding court at his favourite establishment, a restaurant called Keigetsu, tucked away in a back street of Yokohama, where he was born in 1923. Here, on his home turf, he really unwinds, over several courses of incomparable food, liberally interspersed with mizu-kiwi (whisky and water) or, in summer, shochu, the distilled Japanese liquor.

Small, tanned and trim, with a thick thatch of white hair, he displays a consuming interest in European affairs, particularly the latest situation in West Germany recently much on his mind. He also expresses particular likings for British pubs and taxi drivers, but less for Berlin's night clubs.

Small, tanned and trim, with a thick thatch of white hair, he displays a consuming interest in European affairs, particularly the latest situation in West Germany recently much on his mind. He also expresses particular likings for British pubs and taxi drivers, but less for Berlin's night clubs.

But he really warms when he expounds on the nature of the Japanese company: its strengths and weaknesses, its role on the world stage, where it differs from its Western counterparts, and on its relations with its own government.

Q: What are the major lessons you have learned from leading JVC's overseas expansion?

"An enormous number of things. The first is that some of the things that were said to be unique to Japanese workers aren't necessarily true. People said that Japanese workers are exceptionally diligent, manually dexterous and so forth, but our experience in the UK and in Berlin and with the European trainees we brought over to Yokohama simply did not bear that out. It is simply not true that Japanese workers have special characteristics."

Q: Could you manage a European company?

"Frankly, I have some doubts. Remember, I have all these subordinates at work for me. So when we have a business negotiation over there with a European company, we find ourselves dealing with one top executive whereas we Japanese tend to bring a large delegation

to be considered, tend to be what I call "wet" whereas in Europe, especially when you are dealing with just one senior executive, they are extremely "dry." Personally, I really enjoy face-to-face negotiations with an executive whom I know is trusted.

Q: Would you like to see Japanese companies run differently?

"Well, here in Japan virtually nobody audits the company's capital, which is very different from overseas. We do have auditors, of course, but to be honest, they do not do much."

This lack of oversight makes Japanese management worry much less about capital costs than in Europe and though, obviously, it is true that worrying too much about day-to-day costs can be a disadvantage, I think there is a need for greater surveillance over top management in Japan.

"A big reason for this is that today technology and product cycles have shortened so much. We used to think that one technology would last for years and we could live off it for a long time, but that is no longer the case. You get to the stage when you need to look over the company on a shorter cycle with review of managerial performance on a regular basis, which is something we don't really have in Japan."

But this shouldn't simply be the old-fashioned balance sheet and public liabilities judgment. That's no longer adequate for the modern day. We should include such factors as management record, goodwill, planning, engineering skills, the number of patents we file, our dealer strength, to get a sense of the "phenomenon" of the company.

"I am not afraid of evaluation by quarterly or semi-annual reports. And if you CONTINUED ON NEXT PAGE



Shizuo Takano: major lessons learned

to respond to every conceivable question that could be asked. Alone I don't think I could do it."

(At this point, Mr Toshihiro Kikuchi, a JVC general manager, interjects with a laugh: "Come on, Takano-san, everyone knows you are the one person who always prefers to go to Europe on your own.")

"There's another thing which I would find difficult to adjust to, which is the way Europeans conduct negotiations. Over there, they always seem to start negotiations from the point of asking more, maybe 20 per cent more, than their real final position. We Japanese find this very rude, even shocking. We tend to start slowly and humbly, and build up our case through consensus. But we are often prepared to settle for less than the optimum."

"Actually, Japanese negotiations, because they tend to be very complex, with relations with banks and other companies tend to bring a large delegation

Corporate culture

Prosperity narrows class differences

Labour

ROBERT COTTRELL

IN THE restive post-war years, a frequent rallying cry of Japanese labour was: "Pay us enough so that we can eat." As economic reconstruction gathered speed, the demand shifted to: "Give us wages equal to those of European workers."

Japan's "catch-up" growth in the 1960s and 1970s rapidly brought living standards up to European levels. An approximate if selective index of increased household purchasing power is provided by the diffusion rate of consumer durables in Japan.

In 1960, roughly one household in ten had a refrigerator or a vacuum cleaner, four out of ten a washing machine; by 1980, virtually every household had these appliances. In 1970, two households in ten had a car or a colour television set; by 1980, six out of ten households owned a car, while the proportion without colour television sets was statistically insignificant. Four out of ten houses were air-conditioned in 1980, against one in 20 in 1960.

Japan's per capita gross national product compares favourably with many European nations, higher than that of Britain, for instance, and lower than that of West Germany. Wages are more evenly spread. On average, the Japanese company president makes 7.5 times the wage of a new recruit, according to the Japan Federation of Employers' Associations (Nikkeiren).

The federation reckons that the differential between presidents and entry-level workers in the U.S. and Europe is more like a factor of 50 to 50. In the Soviet bloc, says Nikkeiren, party officials make roughly 15

Record

For many families, putting children through a private university is a major budget item: in 1982, it cost Y16,630 a month (\$490), or 29 per cent of the average family budget, to put two children through university, according to a survey by the General Council of Trade Unions of Japan (Sohyo).

Rapidly-rising prosperity, and the absence of deeply divisive class-consciousness, have helped bring Japan an enviable strike-free record of industrial relations. In 1982, 540,000 working days were lost through strike action in Japan, compared with 5.3m in the UK, and 9m in the U.S.

Absenteeism in Japan is low, at least as shown in the most recently-available statistics. In 1977, Japan's absenteeism totalled just two per cent of scheduled working hours, compared with 3.5 per cent in the U.S. in 1978, 7.7 per cent in West Germany in 1979, and 10.6 per cent in Italy in 1978.

While strikes as such are rare in Japan, demonstrations and brief stoppages by workers are relatively common. These occur-

times the wage of a rank-and-file worker, excluding perks.

Relatively compressed salary scales are probably one important factor in that state of mind which, according to a much-quoted survey, leads 90 per cent of Japanese to describe themselves as "middle-class" (a recent poll indicated that two-thirds of Britons believe themselves to be "working-class").

Another likely factor in Japan's bourgeois outlook is the country's high educational standard. Schooling is compulsory to age 15; but 94 per cent of students go on to upper secondary schools until age 18, of whom one-third then go on to universities.

MOST demonstrations by workers come at about the time of the so-called "spring offensive," or shunto, an annual bargaining period during which most companies agree the wage settlement for the forthcoming year. In the months before shunto, employers' federations meet to discuss the level of settlement which can be afforded. The actual bargaining process is led by the large heavy industrial unions, whose pay settlement "norm" is followed by smaller unions and companies.

Heavy industry has been at the top of the shunto pecking order since 1955, but is now coming under pressure from other unions, notably those of private-sector railway workers. These critics argue that Japan is outgrowing its heavy industry, so that the bargaining position of workers in that sector

is likely to grow weaker, despite the overall shunto norm.

Trade unions in Japan are organised on a company basis, rather than by craft or industry. While a company cannot offer financial support to its house trade union, it can provide supporting services (including payroll deduction of union levies) and relieve officers from duty. Animosity towards management is not an integral part of the Japanese trade union outlook. In larger companies, the senior union officer may hold a position analogous to that of the personnel director of a large company elsewhere in the world.

Federations

In 1983, a total of 12.52m Japanese workers were organised into 74,486 unions, most of which were affiliated to four main federations. Union members accounted for 29.7 per cent of the Japanese workforce, a generation rate which has been falling steadily from 46.2 per cent in 1950.

The Japanese unemployment rate has remained low—typically around three per cent over the last decade—in part because companies have been unwilling to lay-off surplus staff. Older office workers are given non-jobs rather than fired—and are nicknamed "madogizakoku," or

window-watchers.

Factory workers

may be

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jobs,

retrained

as

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companies.

The proportion

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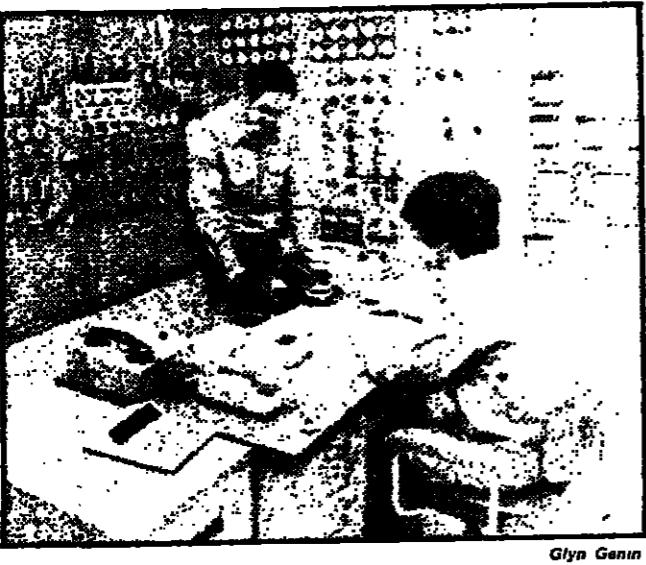
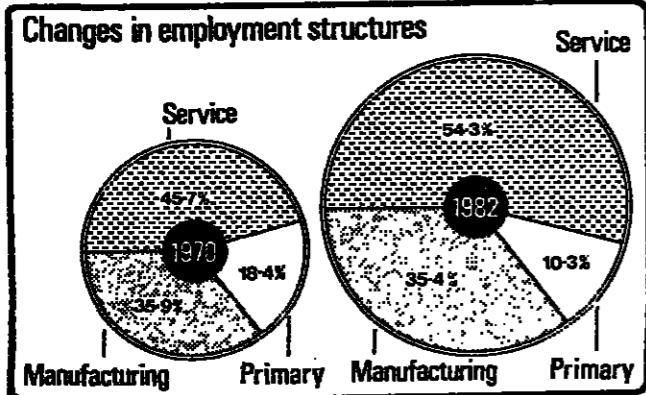
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per

cent.



Wood turner at work. The absence of divisive class-consciousness has brought a collective attitude to work extending from the craft worker to employees of big companies and enabled Japan to achieve an enviable industrial relations record



Workers in a geothermal power station.

Absenteeism in Japan is low and serious strikes rare.

Myths exposed

CONTINUED FROM
PREVIOUS PAGE

add all the other factors I've just mentioned, you should avoid the dangers of too much short-term evaluation, but we really have not done that yet."

"Q It is often said the Japanese political and governmental systems are too inward-looking. Is it up to business to make the country more internationally minded?"

"It is very difficult to generalise. There are so many differences inside. Industries and sometimes inside companies with some attitudes and individuals advanced, some not."

"But just take a look at the last ten years in industry — to make a value judgement has become much, much more complex. Ten years ago we simply went to Asian countries to avail ourselves of cheap labour, but now we go to Europe and the U.S., unthinkable ten years ago, to reduce unemployment there or expand markets there."

"We no longer do any business based on a simple philosophy (ie to make a profit based on cheap labour). We have to face the fact some countries, those which have export free trade, liberalism and democracy, are in difficulties. If they turn to Japan for help, we should try and give it."

"We now live in a much more complex global society and Japan's reaction to outside events has to be improved. It

has got much better but we could do more."

"Q What about the government's role in this?"

"Look, Japanese bureaucrats may on the surface appear capable, even brilliant at what they do, which is policy making. But their performance isn't being watched enough."

"They are always one step behind what's happening in the real world. If they get pressures, they respond but they don't realise the world has changed and Japan has a role to play in it. So they stick to old-fashioned agricultural policy (of protectionism) and it is this sort of attitude on the part which has helped persuade other countries that the name of the game is to threaten Japan."

"Maybe in the last year or two the bureaucrats have got a bit better in certain respects but it is a long, slow process to see that that Japan really is member of the international community."

"The same goes to a degree for the politicians, who also tend to be too inward-looking. But you have to accept that their responsibilities are a bit different and they have to balance all sorts of considerations, so then do the bureaucrats."

"One of the reasons why the LDP (the ruling Liberal Democratic Party) has been in power for so long is that it is very good at balancing opinion inside the party and in the country at large. And in that sense, I think they have done OK; in any case the alternatives aren't too great."

Being selected to compete in the Olympic Games takes years of hard work and training. The same can be said for being designated by the Los Angeles Olympic Committee as their official typewriter. Through many long years of making typewriters, Brother has gained the experience and reputation for quality

that are necessary to produce a machine sophisticated enough to gain such acceptance.

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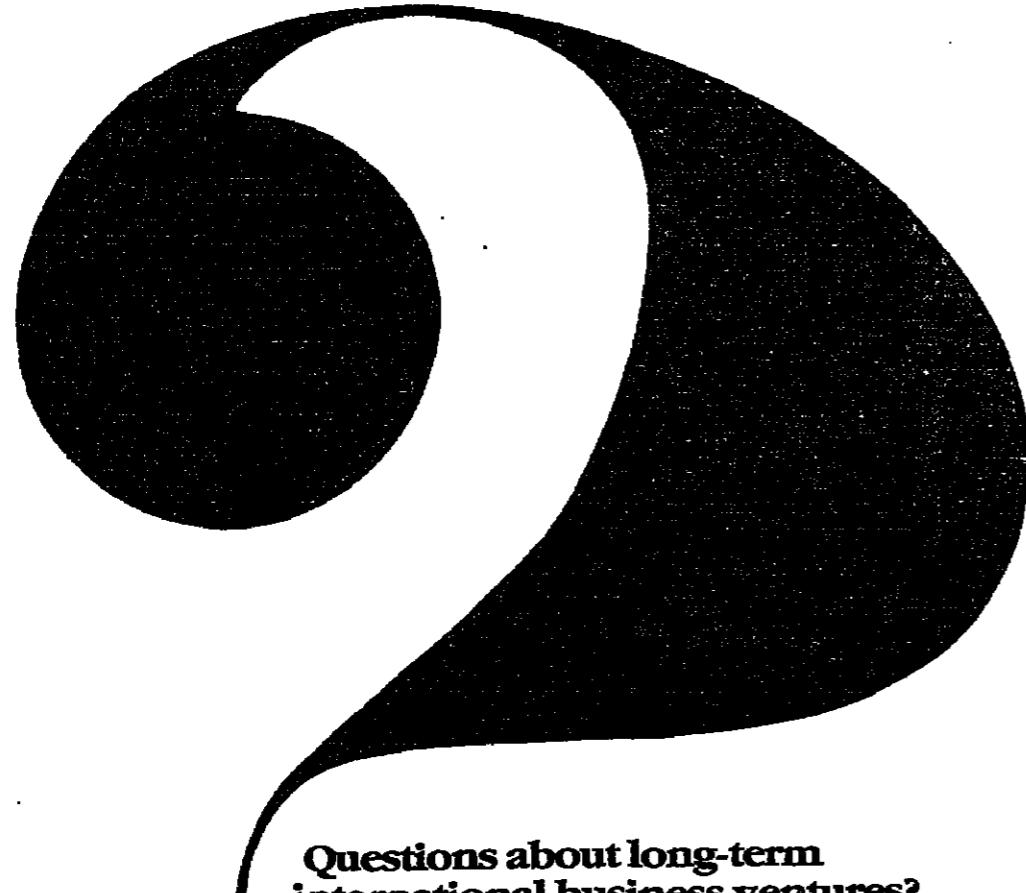
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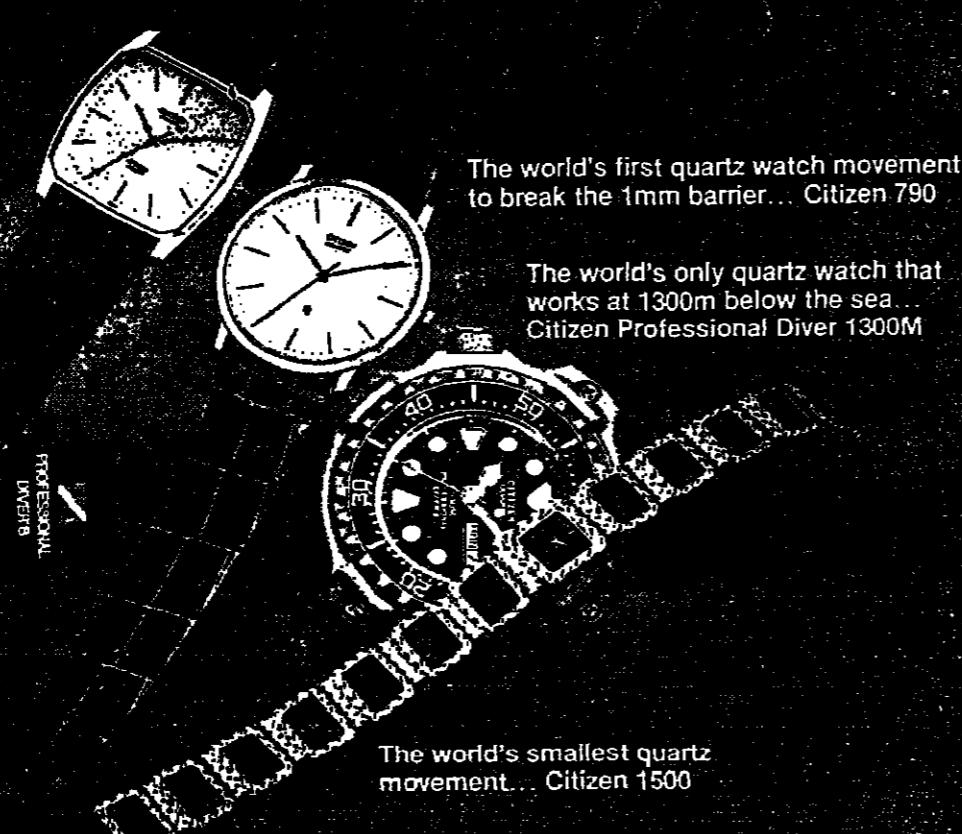


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CITIZEN

JAPAN 10



Shopping precinct in Osaka. The big range of luxury goods on sale in Japan has changed a traditional society into a consumer society in the space of a generation Glyn Genia

Chaos reigns in the offices of smaller companies

Operating at the other end of the efficiency scale

Working Life

JEANETTE NEWTON

DURING MY first days of employment in downtown Tokyo, I would often rush off to the "ladies' room" around 10 am. My colleagues may have suspected I lacked bladder control. In fact, I was treating myself to the sight of the office cleaning lady—a tiny, wizened grandmother—busily scurrying between cubicles, (take away food boxes), still scattered around the office.

Still, one's working environment is not everything. So I tried to accept the argument that keeping up the "team spirit" necessitates a chummy noise-filled open plan style.

When I need to do some serious dictation I can, after all, take refuge in that same separate spoons.

This activity, a full 30-minute task, was my introduction to Japanese frugality. More importantly, it opened my eyes to an apparent inconsistency: Japanese "inefficiency."

As a foreigner coming to work in a Japanese service company, I was prepared for a few surprises, but inefficiency was not one of them. I had imagined all companies to be mini-Mitsubishis. Actually, there are two types: the Mitsubishi and the others. And we are one of the others.

Somewhat I had rather looked forward to using the latest in Japanese high-tech office equipment (a word-processor, perhaps even a small computer, with a robot to make the tea?). Instead my (shared) secretary clatters away on an ancient Smokey-be-spattered typewriter, the wires trailing dangerously three metres in mid-air to the nearest electrical socket.

The crowded working area is a jungle of paper, which swallows important and routine documents indiscriminately. Doing a bit more, no one seemed surprised to find unopened six-month-old mail from "our esteemed client" wedged be-

hind the filing cabinets. Consequently, cleaning is a thankless task which is rarely attempted.

I sometimes think the happiest inhabitants are the cockroaches who scavenge for the crumby leftovers to be had from last night's sushi boxes (take away food boxes), still scattered around the office.

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JAPAN 11

Future arrives while the past keeps its hold

JAPAN is one of the earliest places in the world in which to observe the way the exponential growth of high technology is changing the very fabric of society. Electronic gadgetry, bullet trains and robotised shopping centres meet the eye of even the least curious and few Japanese now question the importance which technological excellence plays in their nation's future.

Yet the overall picture of Japan's status as a driving force in technology, when viewed on the international level, is distinctly uneven. It is neither true that Japan is about to conquer the world with miracle technologies hatched in government-sponsored research laboratories, nor that the nation is a mere manufacturing machine relying on imported foreign technologies and lacking the ability to handle its own research at the basic level.

A fundamental trend is clear towards a greater level of investment in research activities centred on increasingly sophisticated areas of technology, and many spokesmen in Japan's government and industry claim that this is a supplemental drift towards placing a heavier emphasis on basic, as against applied, technology. Yet a strong product-orientation still persists within even the biggest research establishments.

An inextricable linkage to social and political institutions exists in such developments and the country has, in many ways, had a liberal measure of good fortune in the happy match these have often offered to the needs of a modern technology-oriented society.

Efficient

Thus the historically over-thrown nature of industries and the customary efficient utilisation of space, has favoured skills in the development of such items as micro-electronics and compact cars, and the intense competitiveness has encouraged determination and has added "hour-power" to the efforts of individual enterprises: while the "wa" philosophy of seeking for perfection and consensus with one's colleagues has eased the potential strains.

On the negative side, however, an excessive concern with regularity and loyalty in employment has produced a work force which is very adaptable in terms of daily occupation but enormously inflexible elsewhere.

In the older, traditional industries, where strict employment laws ensure worker security, there is overmanning while in the newer service industries under-manning is the rule as employers strive to avoid being over-committed at times of slack business.

This has resulted in a boom in part-time work, often using female labour, with the associated lower wages and, in many cases, a very real tyranny in terms of working hours and conditions.

The long hours of which many office workers are so proud often less reflect the amount of work done than the inefficiency of office practice. "Office automation" is actually far behind that of many Western countries, in spite of the presence of impressive and well-publicised "showpiece" exceptions.

A dependence on leadership and initiative coming via the hierarchical, seniority-based structure of an organisation is also often contrary to the spirit of creative individual inquiry, something which emerges more readily in the freer structure typical in the West, and which is so vital to success in basic research.

Pressure

Political factors are clear in the moves to liberalise the telecommunications field, and to privatise the monopolistic Nippon Telephone and Telegraph Corporation (NTT). This change has been prompted largely by pressure from the business community which sees the efforts of free enterprise as more likely to effectively cut rising information processing costs.

The government's move to liberalisation has also prompted by the belief that this is necessary to stimulate technological advance sufficiently to allow competition with more experienced overseas competitors.

A new role for the celebrated government research laboratories must also be found in the near future, as enormous growth



Electronic gadgetry is changing the face of Japanese society, while the expansion in research programmes is making the big companies increasingly confident

in the available resources and research capabilities of the major private companies is making them increasingly confident in mapping out their own research territory, and less fearful of the consequences of losing procurement contracts from organisation such as NTT, should they not support its joint research plans.

A further reason why in-company research is being encouraged, by such measures as tax-credits and subsidies is that the Government is facing severe budgetary difficulties, which have led to a stringent control of funds even for very important areas of scientific research, such as the Fifth Generation Computer project.

Political decisions are also a crucial influence in such key fields as biotechnology, where prospective changes to government policies controlling the reimbursement price for new drugs could have a major impact on the chosen direction of drug research undertaken by pharmaceutical companies. A big drawback to the predominance of company-based research lies in the natural tendency of businesses to consider market factors first of all, when deciding on new areas of study. This is noticeable in even the largest, most progressive, concerns such as NEC and Toshiba Corp but the trend is most consistent in smaller-scale firms.

Minolta Camera Company is a case in point. The company's Executive Director of R & D, Dr N. Tashima, pointed out in the past there have customarily been, in each product area, two groups at work, a development group (engineering) and a basic technology group to support the former.

Excellence

Now Minolta is looking at a third area characterised by the use of applied engineering to combine accumulated fields of technological excellence and bolstered by in-company research wherever it is needed to develop an independent capacity to produce the software and parts specified for future products. Major research is planned in the area of "electronic imaging," a new emphasis on "design work" and "company image" will be introduced and R & D spending will be held at nearly 6 per cent of total sales.

Yet, typically, these changes never stray far from a concern with products and the change in emphasis is mainly reflected in the increasing use of words such as "venture planning," "imaginative approach to the market" and the "merging of technologies."

The Japanese belief is that such positive thinking when combined with hard work, a gradual move towards more creativity in research, and a continuing ability not only to purchase technologies from abroad but also to anticipate new foreign trends by means of extensive intelligence gathering operations, will be sufficient to keep the country on track. The Government's awareness of the huge dangers inherent in any failure to keep up technologically is reflected in its recent decision to submit to the Diet a revised "bill for the improvement of Japanese input.

ment of technological development infrastructure."

This would provide new tax and financial incentives to promote the development of high technologies. The Government is also setting up a new nationwide information network system, focused on "techno-marketing" centres in big cities nationwide, which will help facilitate the buying and selling of patent rights related to high technologies and the exchange of information on technology advances.

Concern over Japan's progress, though of a different sort, is equally strong among foreign observers, and differences over Japan's policies are particularly acute in relation to the U.S. Government funding of research in Japan (approx. Y1.6 trillion) is well below the comparable U.S. (defence excluded) figure of approx. Y4.5 trillion, yet yet to be matched by the extent to which Japanese companies receive government support, and in particular over their allegedly superior access to government equipment procurement.

The U.S. Chamber of Commerce in Japan recently instituted a sub-committee on High Technology Trade Promotion, and this body has warned of Japan's superior intelligence gathering infrastructure, and of its growing prominence in areas of technology which are considered vital to both commercial and military applications. The

committee singles out large-scale computers and optical communications as two such dual-use technologies in which Japan has a significant strength, but names 10 other key fields in which the Japanese have the potential to reach a leading position internationally.

Arguments

Probably Japan's most significant success to date has been in the production of VLSI's. The arguments continue as to why Japan gained so great a lead in a key item like the 64 K Dram chip, while the Japanese stayed with an incrementally improved conventional photolithography process, thus achieving huge and crucial cost savings. Whatever the means, the Japanese lead in semiconductors has badly shaken its overseas rivals, and reduced their complacency.

Foreign pressure is also evident.

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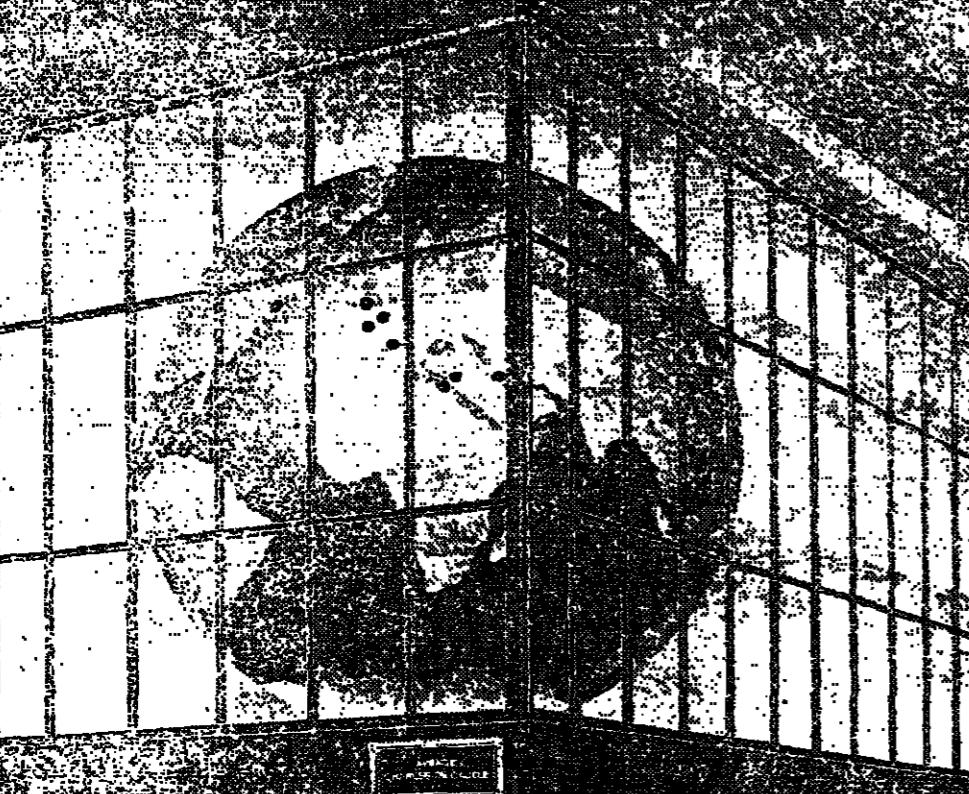
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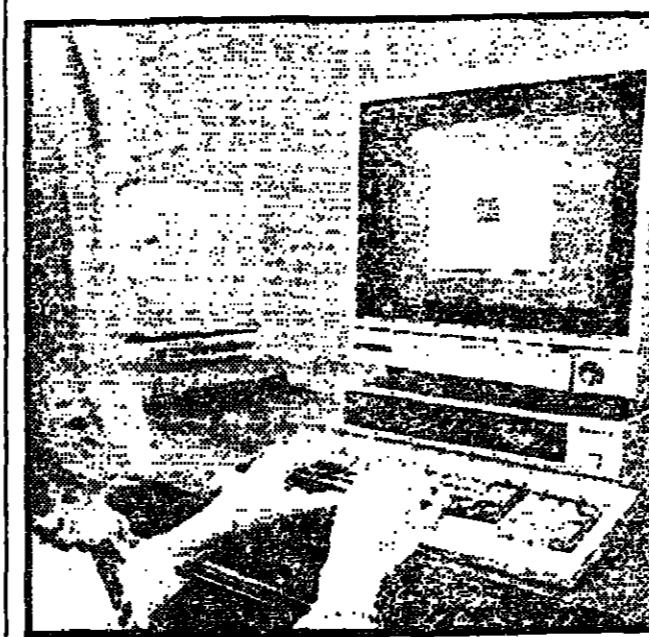
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JAPAN 12



Hugh Routledge
Sanyo microcomputer (above) and, right, IBM word processor. Japan's computer research departments continue to seek supremacy in new areas in order to supply world markets



Facing up to the ultimate test

Computers

ROY GARNER

TECHNOLOGICAL progress has come to mean more to the Japanese in recent years than simply a means to the achievement of economic well-being. It has now assumed an important place in the make-up of Japan's national identity.

Japan itself has played a large part in creating and encouraging the role which it has been assigned in international affairs as a high-tech juggernaut. The price to be paid for this glorious image is that it must be lived up to and there has developed an increasing vulnerability to outside criticism of its abilities in areas of fundamental technology. Any major failing in a key technological area has the potential to induce a response of national humiliation.

Shades of such discomfort were discernible at the time of U.S. IBM's recent law suit against Japanese computer makers over the alleged theft of proprietary information related to its mainframe machine software. This resulted in Hitachi being obliged to pay millions of dollars per month for the use of U.S. software vital to the operation of its IBM-compatible machines.

This challenge for Japan to live up to its high expectations has never been plainer than in the case of the so-called fifth-generation computer project in which Japan chose to take an early lead by organising the first international conference on the subject in 1981. It also instituted a research venture, the Institute for New Generation Computer Technology (ICOT) specifically dedicated to the development of these new computers.

The fifth generation development work has come to be seen as the ultimate test case of Japan's ability to succeed in creative high technology research.

The term "fifth generation computer" denotes not just another, more advanced, piece of hardware, but a body of new basic computer technologies founded on revised basic design philosophies which can handle the more sophisticated computing requirements of the communities of the 1990s and beyond. These requirements are conveniently categorised by function in the outline of the research themes for the project.

First, there is a "problem solving and inference function," which entails logical reasoning using data and knowledge stored within the system, in

addition to information accessed from outside. Second comes a "knowledge base function," in which a "fifth generation" system is too narrow and simplistic; the "fifth generation" directors believe it will, on the contrary, increase freedom in both hardware and software design.

Kazukio Kawanobe, the Assistant Director of ICOT, commented: "We'd like the fifth generation project to show Japan in a good light—to prove Japan's creative excellence," and concerning the decision to adopt a framework of logic programming, he said that "we are very confident at this point that the approach is right."

This year marks the end of the first of three three-year project phases. Mr Kawanobe suggested this first phase has made the greatest demands in terms of creativity as new ideas are needed, for example, to enable parallel processing on predicate logic" where prior research has centred chiefly on numeric calculation.

ICOT researchers have been divided into small units working independently on individual technologies, and Mr Kawanobe says "we don't worry about the relationship between these groups at this stage." In the intermediate stage these results will be integrated to provide the framework for inference and knowledge base systems.

But still the traditional Japanese sense of "improvement" orientated creativity is clear. Kawanobe commented that "creativity to us means a jump... rarely in technology does an idea spring out from nowhere—it usually comes as an improvement or diversion and often it's a very tiny idea but no one else has thought of it... and it drastically changes the way to reach the goal."

Some moves have been made to get away from traditionally rigid research structures. Seniority is stressed less, researchers are encouraged to "have their own consciousness of the problems they have to solve," and a broad visiting programme exists "to have researchers meet as many other experts as possible both in Japan and abroad."

This freedom of activity is such that some research directors in the companies and national research laboratories from which researchers have been loaned to ICOT express worries about their ability to return successfully to their original, less liberal, environment.

One of the biggest problems facing the ICOT project is the difficulty of finding sufficient bright new researchers.

The current number of 42 researchers must grow to

handle work at the intermediate stage, but ICOT cannot recruit people from universities, the most promising source, because of barriers between the different ministries involved.

Private companies are

successfully introducing these two hardware elements provides some of the clearest evidence yet of success in the ICOT project, and a spokesman said the RDBM "will allow for a dramatically improved speed of data retrieval within research work."

ICOT researchers have completed the basic specifications for the RDBM software, and have also started work on building an operating system for the PSL, using extended prolog (EPL), the first computer version of which is expected to be completed by the end of September.

Good progress is also reported in work on the basic specifications of the "KL1" a language which handles parallel information features. Such software is needed for the parallel inference machine, "which is one of the major goals of the next project phase beginning in early 1985."

Mr Kawanobe observes that Japan has grown rapidly in several areas of technology, while having little experience of actually looking for new ones, but says "now we have our own way ahead problems in semiconductors and computers require much creativity. Japan must find new areas for supremacy, and perhaps the fifth generation computer is to be one of them!"

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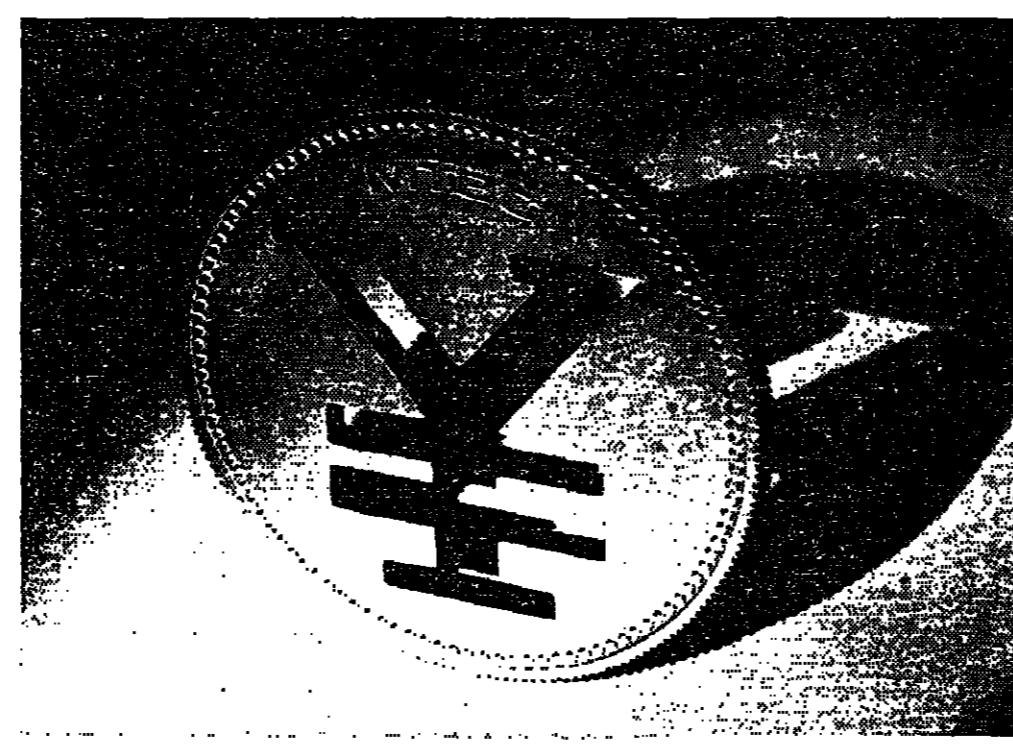
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Technology

JAPAN 13

PROFILE: TOSHIBA'S R & D PROGRAMME

\$100m centre emphasises strong research aims

WHEN Dr Kiyoshi Nagai, director of Toshiba Corporation's research and development centre, in Kawasaki City, was asked whether his researchers are able to gain access to sufficient funds to cover their ambitious future research tasks, he pointed out in response that about two years ago he had asked the management to construct a specialised \$100m research centre which could concentrate exclusively on VLSI (very large scale integration) technology. Just such a research centre opened in January this year.

Toshiba is typical of many major Japanese companies, especially those in the electronics field, in its desire to be placing a new emphasis on the encouragement of a strong R & D base, both by the injection of greater levels of funding and by a revised corporate structure.

The company's renewed commitment to research is reflected in some of the technological accomplishments it has recently announced. In the VLSI field these include a new device-isolation technology and a high-speed reactive ion etching system.

Yet although the company maintains that it is following a wider trend in Japan, of a switch to a more "basic" research-oriented R & D programme and despite the fact that it is one of the most technologically advanced members of the semiconductor manufacturer league, Toshiba's R & D activities still principally reflect the classic Japanese concern with an "application" orientation to its research work.

Influence

And although definite moves have been made to create a freer research environment at the R & D centre, such as with the splitting away of special products laboratories from the central building, the reduction in the influence of application considerations is still very recent.

Almost half of the centre's funding continues to come from the company's operating divisions, albeit that research carried out for these divisions is principally long-term in nature. The "major appliance products" and "audio-video products" engineering laboratories were integrated in the Kawasaki building until as recently as 1982.

It could also be argued that the recent major commitments in the semiconductor field primarily reflect a strong concern with market trends and associated product demand, at this time of unprecedented business growth in the semiconductor arena.

In fiscal 1983, 6.1 per cent of Toshiba's Y2.026bn (\$8.5bn) unconsolidated total sales were spent on research, a slight decline from the 6.25 per cent ratio the year before, while



Toshiba's UK factory at Plymouth, England, whose worldwide exports bring back some of the return on the company's research expenditure

the Kawasaki R & D centre itself received approximately one per cent of the sales total.

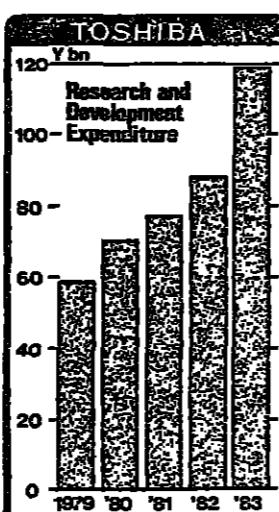
Sources of funding break down into 47.5 per cent from the headquarters, 47.5 per cent from the operating divisions, and 5 per cent from external contracts—notably from the Ministry of International Trade and Industry (MITI).

Research projects are instigated in Toshiba either by a request from one of the seven operating divisions or by a proposal from an individual researcher in the central laboratories. These initial requests are handled by an ad-hoc planning task force, and later weighed against the established mid- and long-range R & D strategic plans before an actual operation plan is worked out. These proposals are subject to revision by a policy review board.

Mr Nagai says that a total of 10 major proposals are made by his scientists each year, along with 20 to 30 smaller proposals, and at any one time a total of between 100 and 150 projects are in progress. To handle these tasks, 1,500 researchers work at the Kawasaki centre, while specialist staff in all of Toshiba's 10 laboratories total 3,000.

Mr Nagai is the first to admit that there are obstacles which stand in the way of the company's efforts to increase the creative element in its research. He particularly regrets the fact that owing to the nature of the Japanese education system new company recruits are "very skilled in how to solve a problem, but don't know how to find the problem in the first place".

He says that consequently, work is organised in such a way that young researchers are trained to develop this exploratory skill which, he claims, takes about three to five years to nurture.



This lengthy training process does not give competitors in Western research labs an automatic head-start advantage. Mr Nagai maintains, since "senior researchers make up the gap". He also emphasises the importance of the high quality of the recruits which Toshiba can attract from among the small super-elite of graduates of the prestige universities, drawn by a high-tech corporate image and promises of unique research opportunities.

Energy

Toshiba currently has 10 specific areas of R & D, the top three among which are VLSI and microelectronics, communications and information technology and office automation respectively. Other areas include energy conversion and transmission, new functional electron devices, fundamental materials and mechatronics. In the future, biotechnology is among technologies expected to grow in importance.

Mr Nagai maintains that the popular image of Japan as deficient in creative ability is mistaken in the first place, and argues that Japan can point to many recent accomplishments, notably in the area of optoelectronics, to demonstrate to the contrary. He also cites antenna technology as being a good example of Japanese innovation.

But it is in the field of semiconductors that Toshiba has made the clearest advances, and reveals the most ambitious research objectives. The new VLSI centre has "the highest grade super-clean rooms in the world" and he says that future work will include experiments in X-ray beam and electron lithography, going beyond the work with light lithography already in progress, and experiments in molecular electronics are also under way.

The company is now working on VLSI with integration in the 4 to 16 megabit range, and Nagai says that "by the end of the century we expect to achieve a 100 megabit device. Already scientists are developing 0.25 micron technology which it is expected will be sufficient for devices in the 64 megabit range. Beyond this level of integration, Toshiba expects it will need to move away from the use of the currently pivotal CMOS (complementary metal oxide semiconductor) technology, and the problem of finding future alternatives to this is now being addressed, together with efforts to develop substitute materials, such as gallium arsenide, to replace today's silicon substrates.

Further evidence of Toshiba's concern with high-tech prowess comes in the shape of its new 40-storey, 81.8m, Tokyo headquarters building. The structure is a showpiece of state-of-the-art office automation, which accommodates all 7,000 of the company's employees, whose work is closely linked by about 1,000 terminals connected to a central computer. Computer functions do everything from monitoring production levels and sales to closing the curtains. Toshiba, like many big electronics companies, has made much of the investments needed for continued progress in high technology development. Perhaps in five years or more it will be possible to judge if this has been sufficient to break the "creativity barrier."

Roy Garner

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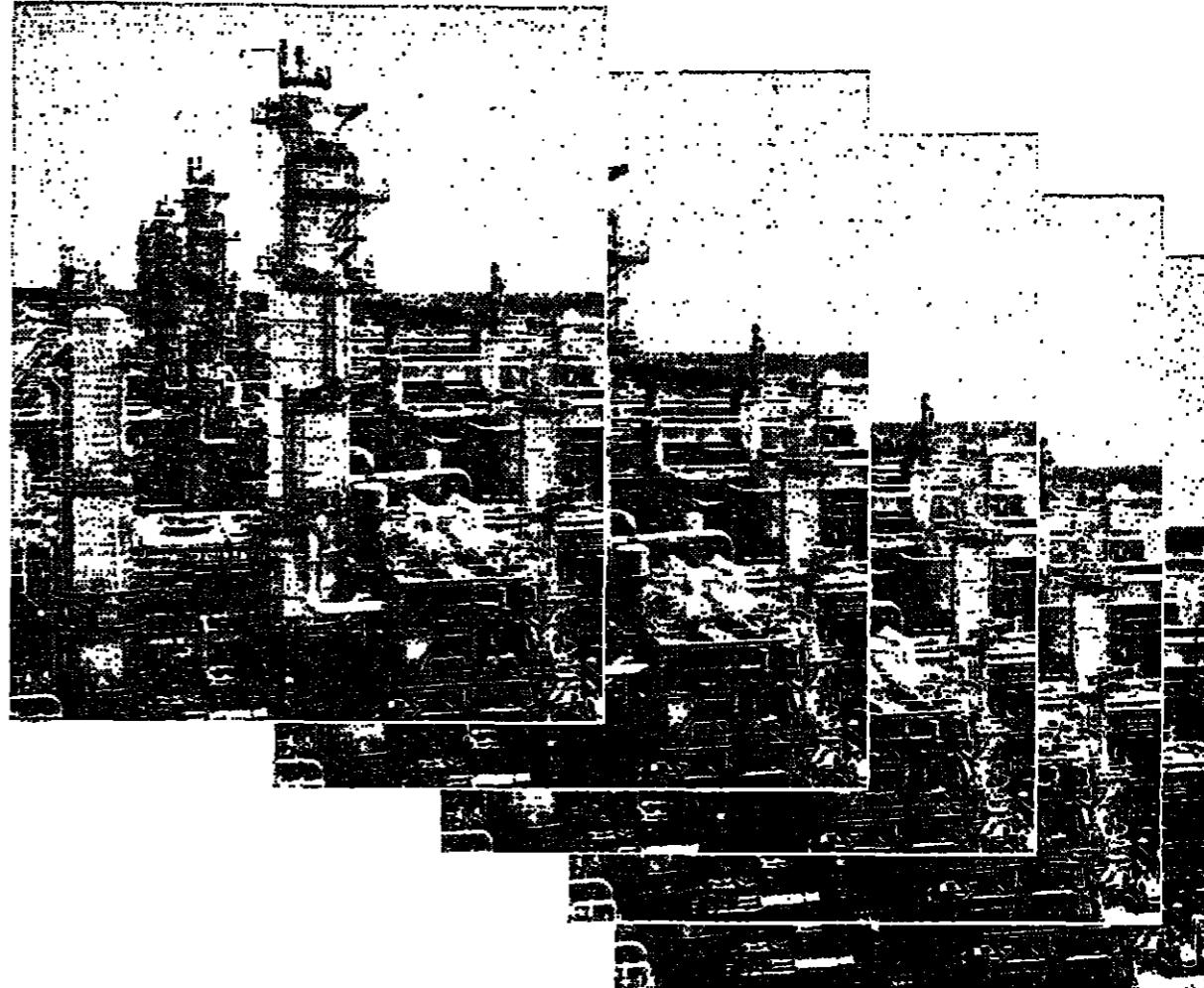
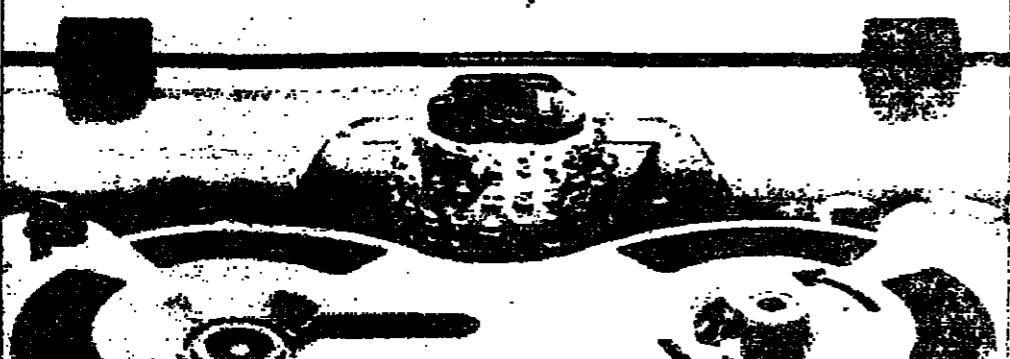
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Working under Mr Nagai (who specialises in electronic devices) are three deputy directors responsible for "materials," "heavy duty apparatus" and "computer peripherals" projects respectively, and another specialist manages the VLSI centre's work.

The basic planning group has 10 members, while 20 people handle research administration. Apart from practical considerations, these administrators attempt to take into account such factors as the tendency for researchers to reach two "peaks" in their working lives, one between age 30 to 35 and another between 50-55, reflecting firstly the achievement of initial expertise, and secondly maturation after a change of direction.

A key element in the training process is the formation of "young researcher groups" which consist of four or five members from different sections, overseen by a senior planning group member. Six or seven such groups are formed each year, meeting once a week in their free time, for a period of three to four hours. According to Mr Nagai, these groups frequently end up meeting at least twice a week, and have proved a good source of new ideas.

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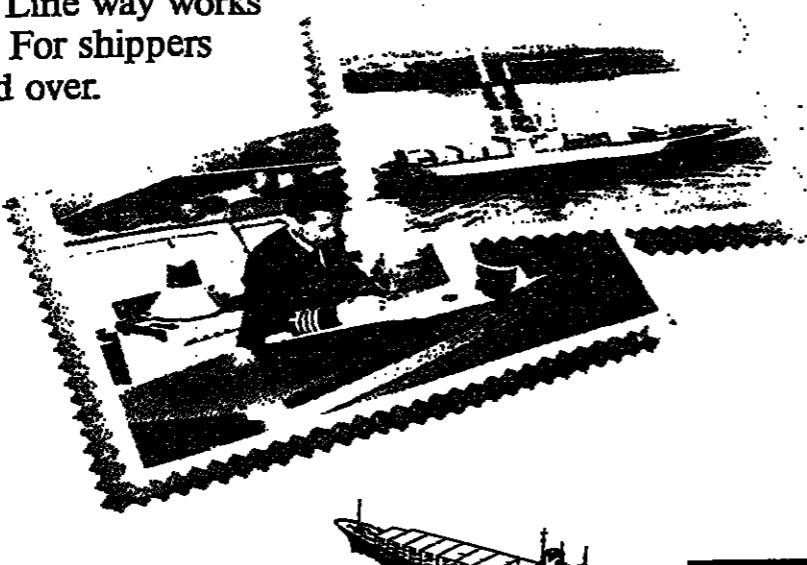
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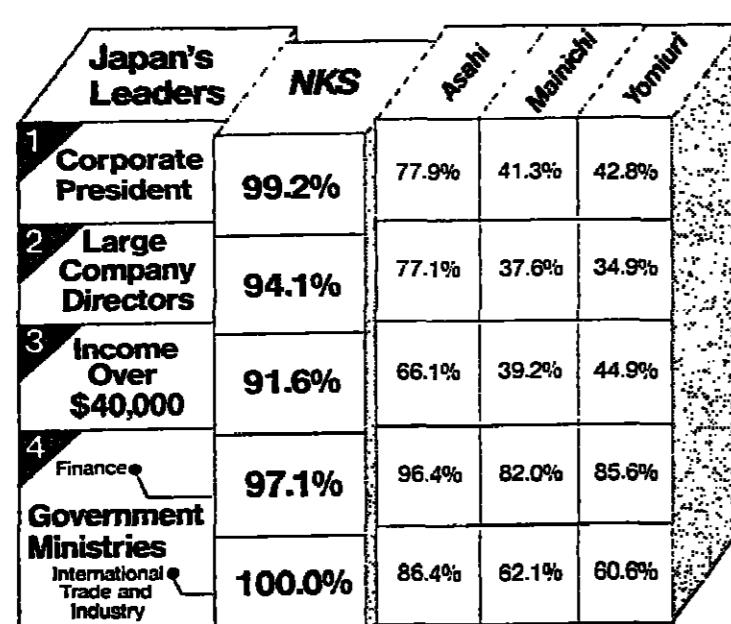
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JAPAN 14



Building industrial robots. Foreign criticisms of Japan's sluggish patent processing procedures are linked to an awareness that high technology is playing an ever more important part in business

Japan's complex and sluggish processing procedures are a cause of friction with the U.S. and Europe

Concern at proposals on software law rights

Patent Laws

ROY GARNER

AS COMPETITION between Japan and other advanced industrial nations for excellence in high technology grows ever more dynamic, the likelihood is strong that the matter of the protection and definition of individual technologies will become an increasingly controversial issue.

Already there have been repeated stirrings of disquiet over Japan's recent proposals concerning software rights legislation, which some foreign commentators have charged would, in effect, allow Japan unfairly to acquire software property through adjustments to the legal protection period.

There have also been charges that some companies are bypassing deficiencies in their own technological base by applying for patent rights on inventions claimed elsewhere simply by means of cleverly re-defining the concepts involved; a process which is aided by an increasingly sophisticated and rapid monitoring of foreign and domestic published research papers, and by other forms of technology "intelligence". Such activities have the potential to do wonders in closing any "technology gap."

In the U.S. where the total number of applications is considerably lower, there are now 3,000 examiners plus another 200 specialists exclusively handling trademarks and this staff total is to be boosted by at least 800 in the near future.

Official estimates of the average time it takes to acquire a patent in different countries are difficult to compare because the procedures vary so greatly.

The Japanese claim this period is currently about two years and seven months, against just under two years for the U.S. Japan plans to achieve a two-year average in the foreseeable future, while the U.S. is anticipating a one year eight month period. Foreign businesses regularly insist that the process in Japan often takes as long as six years.

Foreign critics of Japan's sluggish patent processing procedures are linked to an awareness that high technology is playing an ever larger role in business and that in consequence the speed at which patents can be acquired is becoming ever more crucial to success.

A slower system in Japan, it is often charged, produces an unfair advantage by allowing local businesses more time to catch up in new areas of foreign leadership.

In Japan, a big stumbling block to improvement lies in the inadequate levels of staffing at copyright processing offices, and this situation appears likely to worsen as the number of applications grows, while tight government finances preclude the hiring of more personnel.

A vital element in attempts to improve a deteriorating situation is the planned computerisation of the voluminous and growing body of data which concerns the applications for, and awarding of, industrial patents.

Even if this programme were to proceed on schedule, however, a comprehensive computerised system is at least 10 years off, and according to Japanese sources, current planning is set to give rise to a situation whereby interface of this computerised information will be possible between Japan and the U.S. and between the U.S. and Europe, but not directly between Japan and Europe.

This situation is emerging because, the Japanese claim, it is too difficult for them to handle data directly from Europe, owing to the fact that much of the patent data will not be presented exclusively in English, but will include data in other languages, notably German and French.

As a result, it is likely that Europeans will have to depend on U.S.-routed data processing for the acquisition of information about Japanese patent processing activities.

While long-term issues such as this are just emerging, arguments over the allegedly discriminatory or "protective" nature of Japan's patent laws and procedures are already in full swing.

At the heart of these difficulties is the current saturation of patent processing facilities.

Applications for protection rights in Japan are subdivided into four categories: "utility model" (low-grade technology), "patents" (covering more sophisticated equipment), "design" and "trademark".

The Japanese claim that their

distinction between "utility models" and "patents" allows for a stricter patent applications process where, on the contrary, the unified handling procedure in the U.S. produces a lower common denominator in patent evaluation.

The U.S. claims the Japanese distinction between the two achieves nothing but unnecessary duplication and a slowing down of processing. However, only 45 per cent of domestic and 55 of foreign, national patent applications are successful in Japan, a lower figure than in the U.S.

In 1983 Japan received 480,000 patent and utility model applications and the figure rises to 668,000 when designs and trademarks are included. For this task just 1,800 examiners were available. These examiners are the same for all categories of application and there are no plans to increase this current level of personnel.

In the U.S. where the total number of applications is considerably lower, there are now 3,000 examiners plus another 200 specialists exclusively handling trademarks and this staff total is to be boosted by at least 800 in the near future.

Official estimates of the average time it takes to acquire a patent in different countries are difficult to compare because the procedures vary so greatly.

The Japanese also point out that the Ministry of International Trade and Industry (MITI) has recently ruled that from August this year the Patent Office can raise its application fees to provide the necessary funds for the computer programme.

Undoubtedly the hottest issue in the field at present is the controversy over the protection of software, a debate which involves complex problems of property definitions, and which is throwing many of the trickiest aspects of the international patent agreements into sharp relief.

The U.S. position is that

MITI's intention to treat software as "industrial property" would violate the spirit and the letter of international copyright law embodied in the universal copyright and Berne conventions. The industrial property concept is described as contrary to an international consensus that software is a "literary or scientific work of authorship," and unacceptable in that it would not require observance of copyright norms.

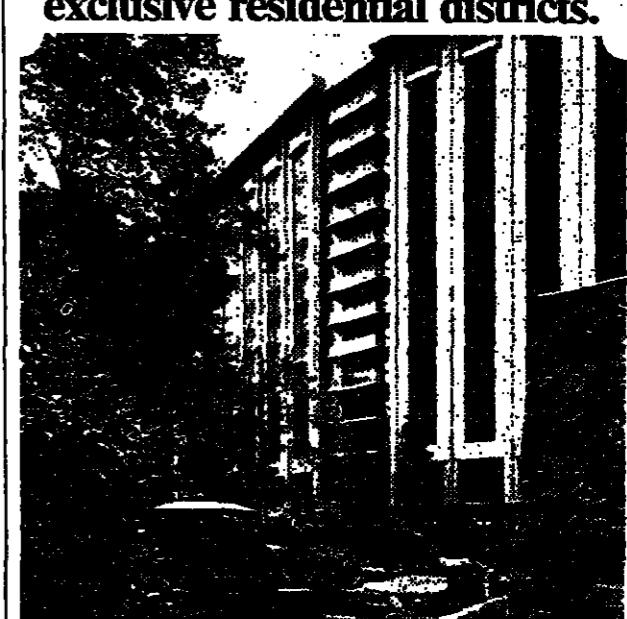
The

MITI proposal for compulsory software licensing would, according to the U.S. Commerce Department, "in practice substantially disadvantage both U.S. and Japanese software authors and consequently blinder, rather than promote, the continued development of the Japanese software industry."

Reflecting how seriously the U.S. takes the matter, it stresses that if software is excluded from "copyright" protection in Japan it would have to consider seriously invoking reciprocity rules, allowed under the universal copyright convention, which would deny copyright protection to Japanese software within the United States. The U.S. says Japan could also be excluded from the process of establishing an international law to protect software.

Despite some statements to the contrary, MITI has not yet fully altered its position, promising essentially to act with restraint in the use of a proposed arbitration system (which carries the power to order the compulsory release of software where it is deemed fit) and of its proposed 15-year protection period, which is far shorter than the 50-year protection normally given under existing legislation in Japan, and overseas.

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Little headway made towards restructure

Education—Reforms

BARBARA CASASSUS

JAPAN'S education system can be viewed either as the springboard for its spectacular economic and industrial success, or as Achilles' heel—or a combination of the two.

This is one conundrum now facing Prime Minister Yasuhiro Nakasone, who made educational reform a central theme in his campaigns for the Parliamentary election last December and again in his battle to win a second term as ruling Liberal Democratic Party (LDP) President in November.

The issues prompting calls for reform have virtually become clichés. School violence, pupil and student suicide, rigorous selection and eclipse of the individual under the weight of rote memorisation and conformity with standards that mercilessly dictate achievement or failure as a member of society, all have become recognised hallmarks of the system.

But their significance lies beyond the confines of the academic and scholastic world, highlighting Japan's difficulty in reconciling its role as a "Western" economic power, (as is often its own self-description) with anxiety over the demise of traditional values.

Former education minister, Nitso Setoyama, who lost his post in Mr Nakasone's cabinet formed after the December election, unleashed a storm of criticism last year when he blamed present problems in education on the system imposed on Japan by the post-war U.S. Occupation forces. Although conservatives have always felt the American style was unsuitable, this hypothesis presented in such an uncharacteristically direct manner, appeared absurd more than 30 years after the event.

Criticism

Now the controversy has subsided, however, some liberal educators admit they endorse Mr Setoyama's argument. But, far from attacking the fundamental premises of equal opportunity for all and school, teacher and pupil autonomy, based on the spirit of peace and

democracy, their criticism seems to derive mainly from a sense of discomfort, as with an ill-fitting garment and from regret that the original aims have been lost.

Growing pressure on the young to enter the "best" institution, in order to secure the "best" jobs in the administration and top industrial concerns, is frequently blamed on the boom years of the 1960s, and the private sector's desire to feed its success with more of the same. This appetite has undoubtedly been satisfied: a highly disciplined, highly literate and numerate workforce has been a major factor in bringing Japan to the forefront of high technology today.

Equally certain is that personal development has suffered, at least in Western terms. But if the importance of individual growth per se to the Japanese is debatable so is the possibility of accommodating it within the context of the traditions that appear firmly rooted in their society.

Ailments

While holding the Occupation responsible for a number of the ailments in the education system, some experts concede that the excesses of uniformity seen also from Japan's group-oriented culture, once epitomised by its vast middle class, which was not a target, but to which an overwhelming majority of the people believes it belongs.

Nonetheless, fostering individual growth through offering greater diversity in the curriculum, to take account of variations in ability and aptitude, is a recurring topic each time Mr Nakasone and others publicly advocate reform. This has become a highly charged political saga which is only now really starting to unfold. How it will proceed depends on whether Mr Nakasone wins re-election as LDP President, but if he does, the stage will be set for many old and new animosities to receive a thorough airing.

Some cynics believe talk of educational change is merely a vote-catching ploy in response to mounting public concern over scholastic and university shortcomings. Others believe Mr Nakasone's determination is absolute, but fear his initiative is an attempt to tighten the government's grip on the already highly centralised system.

Sony Corporation honorary

Few observers or educators are prepared even to speculate about the outcome of the reform effort. Meanwhile, many of the problems are being left unattended and are increasing rather than going away of their own accord.



This section looks at some of the everyday influences in Japanese life and at how the young are affected by this highly-competitive society

chairman, Masaru Iwaka, the committee recommended leaving intact the basic 6-3-3-4 academic structure (six years of primary school, three years each of lower and upper secondary and four years of university). The report, criticised by some for its lack of substance, suggested greater flexibility within the system, more diversity in the curriculum and less reliance on examinations for selection.

Stumbling block

Proposed legislation for the commission was a major stumbling block in the LDP's bid to gain extension of the Diet session. From the beginning, the socialists and communist parties, as well as the militant left-wing Japan Teachers Union (Nikkyo), opposed the concept of the new panel, although they are in favour of change. According to some sources, the Nikkyo will be invited to sit on the commission, but it is divided over the response it would give. At an extraordinary conference in April, a resolution stating it would refuse to participate if asked was rejected, which has undermined the union's staunch anti-establishment stance and has thrown it into some confusion.

Few observers or educators are prepared even to speculate about the outcome of the reform effort. Meanwhile, many of the problems are being left unattended and are increasing rather than going away of their own accord.

Examination ritual under fire

Education—Swot shops

BARBARA CASASSUS

Planned by the fact that recruitment criteria are greatly simplified by absorbing graduates from the institutions with the most prestige, whether university or upper secondary school, that a company's standing permits.

Moreover, competition for university places which was not before the 1945 war long affects only a small minority of the population. For example, enrolments at the private Nihon University now amount to some 70,000, which is more than the total number of students in Japan in the pre-1945 era.

Today, about 93 per cent of pupils go on to upper secondary school level after compulsory schooling ends at the age of 15

HIGHER EDUCATION
(Numbers enrolled as percentage of population aged 20-24)

	1960	1979
Japan	10	30
U.S.	32	55
W. Germany	5	26
France	10	25
Sweden	9	37
UK	9	26

Source: World Bank

and of them, more than 35 per cent continue into higher education.

The importance of the almanac in assuring a glittering professional career was underscored by a major Japanese bank newsletter published a few months ago. This revealed that among the presidents of 1,772 leading companies listed on the Tokyo Stock Exchange, 384 had graduated from Tokyo University, the number one national institution, and 244 from Kyoto University, also a highly-esteemed state-run seat of learning.

Surveys show that a substantial proportion of Japanese people view school facilities positively, while some sources of extreme poor attendances at the 4,000-odd children's community centres throughout Japan for pre-school to 10 years age groups as illustrating the low priority given to extra-curricular activities.

The much-publicised "examination hell" that is the symptom of the problems may be hard to dismantle, as it seems to be an integral part of modern Japan. The blame for making childhood a period to be endured rather than enjoyed is often laid at big business and emphasis on economic needs rather than education for itself and a child's development.

The phenomenon can be explained by the fact that recruitment criteria are greatly simplified by absorbing graduates from the institutions with the most prestige, whether university or upper secondary school, that a company's standing permits.

Indeed, values, rather than facilities, seem to be the crucial factor in this society, which generally accords little place for self-respect through non-academic accomplishment in a less structured environment than the conventional educational institutions.

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Boarding the education escalator — once children are on the right track, they stay there — is now sometimes pursued even from the pre-school level. At that point, some make their first acquaintance with *juku*, the notorious cram schools that have become a business of some substance, but less repute.

Under the careful and guidance of their mothers, who often judge their own success in life by their offspring's academic career, youngsters are then destined to spend most of their working hours at study until the university goal is attained, or not 15 or more years later, if they are rejected initially.

Books are not censored in the pure sense, but without official approval, they cannot be used in schools. Nothing prevents private publishers from bringing out the rejected texts anyway, except that they are not likely to sell particularly well.

This authorisation system has long been the focus of intermittent wrangling and in 1982 it strained diplomatic relations in Asia over Japan's alleged distortion of its war and colonial record in new history books.

The issue was resolved internationally when Japan pledged to correct certain facts in future editions of the disputed texts, but nothing appears to have changed in the authorisation system itself.

On the contrary, the protest of enraged scholars that their objectivity has been destroyed by Ministry textbook inspectors periodically find their way into the local press and since the future with neighbouring nations ended, proposals have been made to strengthen the approval and selection procedure still further.

Of all the subjects in the curriculum, moral education or ethics typifies the political test. This test, based on the statistical principle of variation from a median score and commonly known as the "deviation test", is used by teachers to orient their pupils toward the institutions to which they have prospects of gaining admission.

As competition has stiffened, pupils have been encouraged to sit the tests with increasing frequency, even once a month in isolated cases.

The anomaly is that although the *hensachi* has never been officially adopted as an assessment method, its use has not been banned. Instead, in contrast with the usually strict controls on education, the Ministry has limited its intervention to issuing directives for teachers to rely less on the scores. Perhaps as a result of this urging, or of public disquiet, some teachers are said recently to have headed the message.

It is difficult to see how the existing controls could accommodate greater flexibility in the system and variety in content to make room for true personal development. School study courses are standard throughout Japan, as are textbook selection lists, compiled according to the Education Ministry's

National pride has its place in all countries, but could scarcely be of greater sensitivity than in Japan. Therefore, it will have to be handled with some delicacy if education is once again to come under a harsh international spotlight.

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BAHRAM
KUWAIT PROTESTS TO IRAN ON TANKER ATTACKS

GMT 11:10
LAHORE
BUSH LEAVES FOR OMAN AFTER PALESTINIAN RAID

GMT 11:11
MADRID
TWO SPANISH TANKERS IN GULF REPORTEDLY HIT

GMT 11:13
ROTTERDAM
NORTH SEA OIL PRICES JUMP

GMT 11:14
LONDON
INCREASING GULF TENSION PUSHES UP DOLLAR

GMT 11:17
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JAPAN 16

Potent symbol of status and occupation

Fashion

TERRY TRUCCO

ANYONE WHO ever looks at fashion magazines or visits department stores might conclude that the Japanese are the most adventurous dressers in the world. Japan, after all, is largely responsible for those outsize, futuristic-looking clothes in crisp penguin colours, draped here, tied there and dreamed up by such designers as Mitsuhiko Matsuda, Yohji Yamamoto and Rei Kawakubo.

The thought of a nation 118m strong, garbed in some variant of Tokyo Style is downright daunting, as if Issey Miyake were producing the Japanese equivalent of Mao suits.

The reality is quite different, of course, as anyone knows who has visited Tokyo, particularly those places where businessmen congregate. Women are turned out in prim little silk dresses with sturdy shoes and what appear to be government-issue Louis Vuitton handbags.

Men fare even worse: white shirts, red ties and navy blue box-cut business suits, standard musts known in these parts as *dobukumi iro*, the sewer rat look. Wire-rim eyeglasses are optional.

And what of those flamboyant Japanese who outfit themselves with such wit and aplomb? They are around, usually clustered together in the slicker parts of town. But these are strange, fleeting creatures and they live by a code.

Halcyon years

In Japan it is accepted—even expected—that young men and women will dress as dramatically, outrageously and expensively as they like for a few halcyon years between high school and whenever their adult responsibilities begin.

The party, which begins for most at the age of 18, ends for men when they are initiated into a corporation, for women when they marry—watered events that rarely occur much past the age of 25. After that, even the most confirmed pop will likely heed the call to "responsible" clothing, abandoning the rest with remarkably little resentment or regret.

Indeed, it is the fashion designers, faced with a vast but narrow market, who seem most put out by all this—small wonder they began to export. The average Japanese knows and plays by the rules.

More than in almost any industrialized nation, clothing in Japan is a potent symbol of a person's status and occupation, determined by a subtle code immediately discernible to other Japanese. Japan is an orderly society, and clothes buttress that order, a constant reminder that all's well with the nation.

The importance placed on membership in groups—all sorts of groups, from company affiliations to the family—is a key reason for Japan's willing acceptance of a dress code. The national regard for the collective over the individual is no myth: the person who is accepted by their co-workers, classmates, and fellow members of the parent-teachers' association is bound to feel more secure than an individual who goes their own way. The reason why some of the nation's more creative people feel most comfortable living abroad.

This notion of group membership and group security is a reason why company uniforms are so popular. Like workers in Victorian England, the Japanese sport uniforms of their profession, such clothes are viewed as a source of pride and identity, not something awful that stifles personal freedom.

Unity

Workers repeatedly say they like their uniforms, both for the feeling of unity with their fellow employees and the more pragmatic benefits of more money to decide what to put on in the morning.

When Sony considered phasing out its company jackets a few years ago employees were up in arms and a new uniform was quickly commissioned. Today, everyone in the company, from President Akio Morita down, dons a trim taupe-coloured jacket whenever they are on the company premises.

Indeed, people in professions that dress as they choose in most nations have uniforms in Japan, from bank tellers to taxi cab drivers. Business-suited staff never leave home without their company lapel pins.

The business of company uniforms has grown so big that Japan's top fashion designers regularly turn out company clothes, well-tailored if conservative uniforms that the companies hope will enhance the corporate profile.

There is another offshoot when asked about job preferences, young women consistently choose Japan Air Lines. The reason? They all adore JAL's sleek navy blue stewardess uniforms designed by Hanae Mori. Clothes are also an indica-



Japan Air Lines stewardesses wearing the sleek uniforms designed by Hanae Mori

clothes. A navy blue suit may not be exciting, but the wearer can breathe easy, knowing that he has got it right. He also knows he blends into the crowd, comforting thought in a country where few people want to draw attention to themselves.

But the relative newness of Western dress is also responsible for the delicious experimentation of the nation's affluent youth, and audaciousness less noticeable in most Western nations. The stylish young who frequent Tokyo's trendy Harajuku and Shibuya districts have a keen eye for mixing and matching, devising unlikely outfit that can prove charming—and stunning. All in that dominant colour, black.

What Japan's top designers have also done with great skill is blend the best of East and West in clothes that look like nothing ever seen. Dominant influences include the kimono, the haori coat (the little jackets worn over the kimono) and even Edo-period workmen's pantaloons, but these are artfully melded with typical lines of the West.

Indeed, at their most terrific—and even at their most terrible—the clothes seen on the streets of Japan remain consumately Japanese.

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Society

Even soap operas taste different

Television

JUREK MARTIN

THE JAPANESE have an intense national fondness for the predictable. People often go to traditional theatre, for example, not to see a whole play, admittedly a bit long, but merely to sample again their favourite passages.

Perhaps no institution in Japan satisfies this basic need so thoroughly as television. For all the official observation of the creed that television's purpose is as much to enlighten, inform and educate as it is to entertain, few national TV systems in countries of comparable sophistication are as relentlessly predictable and, in consequence, as invariably uninspired as Japan's.

Avid watchers

Yet there is simply no evidence, outside occasional intellectual circles, that the staple TV fare is unacceptable to the public at large. Far from it, most surveys suggest that the Japanese are the most avid TV watchers in the world; one recently found that the average family spends eight hours and 15 minutes a day watching TV, comfortably more than even in the U.S.

The TV system conveniently divides itself into two parts; occupying the national high ground is NHK, the public broadcasting network somewhat analogous to the BBC. It runs both a general and education channel and is financed mainly by user fees.

The other part consists of roughly 100 stations dotted around the country, all affiliated to one of the five Tokyo commercial channels. Cable TV is still in its infancy, but is seen as a possible major growth area in the years ahead. Nevertheless all TV stations possess a relatively high level of technological expertise in production methods.

Any critique of programme content is necessarily subjective;

it must be conceded that many outside observers especially from America have commented favourably on the quality of Japanese TV. A personal suspicion, however, is that they have seen little of it, for more constant exposure leads to the inescapable conclusion that television here, educational programming possibly excepted, has barely begun to explore the possibilities of the medium.

Most evening schedules run the standard gamut of variety and talk shows, crime dramas (ancient samurai and modern detective), all fairly heavily spiced with sexual titillation and fairly crude violence. Even the suspense inherent in baseball removed, because evening telecasts end precisely at 8.54 pm, regardless of the state of the game.

When NHK and, less frequently, the commercial stations turn their hand to news and current affairs, they tend to do so with a pedantry that only a country which reserves its highest social honours, that of "sensei" (teacher), could comfortably accept. Though one fairly recent NHK documentary "Silk Road" was visually superb, the vast majority show little imagination in presentation or content.

NHK's coverage of December's general election, for example, was at least a generation behind Western standards; for all their considerable resources, most programmes on events in other countries seem to be taken out of the early Alan Whicker book, that is featuring Japanese commentators musing on the strange ways of the *gakokujin* (foreigners).

If there are glimmerings of improvement, they reflect a growing national awareness of the world at large that, in the general public, probably already outstrips what television deems fit to acknowledge. But where Japanese television is genuinely interesting is in the light it throws on general, contemporary Japanese attitudes.

Thus the most popular programme of recent years was NHK's "Oshin," the one-year-long, five days a week, 15



Kin-ichi Hagimoto

minutes-a-day soap opera chronicling the life, from the turn of the century to modern times, of a single Japanese woman who emerged triumphant from countless vicissitudes. "Oshin" became instantly a national symbol, to whom politicians were eternally referring for inspiration. But she was, above all, a traditional character.

Controversial

More controversial, especially to foreigners resident in Japan but also to some Japanese, has been another recent NHK drama series, "Sanga Moyu." This is the tale of two Japanese brothers, one of whom stays in his adopted country, the U.S., the other, more favourably portrayed, who returns to fight for Japan in the last war.

NHK had actually sold the programme to some U.S. channels but, as arguments about its content and treatment

escalated, subsequently withdrew the sale. Admittedly, some of the criticisms were generated from inside Japan. The country's third largest newspaper, the Mainichi, assigned one of its best journalists, Yoshihisa Kamori, who knows the U.S. well, to produce a stream of articles dissecting the programme's inaccuracies and misinterpretations.

But controversy, unless it reflects the fact that in Japan, as elsewhere, the medium has become bigger than the message, is not really what Japanese television is about. It is the visual equivalent to the Japanese of the daily bowl of rice.

The culinary comparison with Texan chili demonstrates this: Japan is fascinatingly, one of the very few countries which could not stomach the twists and turns of "Dallas," simply because it possessed none of the moral certitudes the Japanese value so much.

One reason for the sophisticated quality of Japanese advertising is that its creators

Creativity rules unhindered

Advertising

JOHN BURTON

AARDVARKS parade out of a television screen with bottles of whisky on silver platters. Circus freaks cavort on a desert landscape tinged red with the setting sun. A collection of Victorian dolls swoon as they watch a doll-like version of the British new wave group Duran Duran perform in a child's room.

These surrealistic images are not scenes from a film made by some avant garde director. They are commercials, Japanese style.

Japan is one of the few countries where that often-heard observation "The commercials are better than the programmes" may actually be true.

While Japanese television is dominated by programmes that feature clichéd plots or cloyingly cute teenage singers, the accompanying advertisements at their best are lyrical, stimulating and challenging.

Many Western ad directors would consider Japan a paradise. Creativity is unhindered by the need to make claims that the product being advertised washes shirts whiter or has better fuel efficiency. In most cases, little or no reference is made to the product or the corporate sponsor until the last two or three seconds. Commercials in Japan have become 15-second exercises in fantasy and abstract images, not information.

Advertising creative directors themselves have become minor cultural stars. While British ad director Ridley Scott had trouble attracting top talent, he is now inundated with applications from graduating students of the nation's best universities.



Watches in a Tokyo shop window. The prime goal of Japanese advertising is to create a pleasurable emotional association with the product

The way a gift is wrapped, for instance, may have more impact on the recipient as the actual gift itself. The same goes for advertising.

"The Japanese emphasise the way things are said, while Westerners stress what is being said," notes George Fields, a Japan-based market researcher. "The Japanese feel that if you don't go to the trouble of presenting your ideas properly, how can they be any good?" In advertising terms, that means the quality of the product is judged by the quality of the commercial.

Persuasive reasoning plays little part. The Japanese play as much on emotion and intuition as they do on logic in forming judgements. Resorting to glib argument is actually distrusted. The prime goal of Japanese advertising is to create a pleasurable emotional association with the product, a task easier to achieve through images and music.

The fact that Japanese commercials normally run 15 seconds in length, compared with 30 to 60 seconds common in the West, reinforces the tendency to concentrate on image rather than substance. Because there are a large number of commercials bidding for attention in a brief span of time, agencies always strive to create ones that will be remembered and talked about.

The use of foreign models

and movie stars was originally introduced as one eye-catching ploy. Humorous situations have now become popular as a premise for commercials. One manufacturer of ballpoint pens recently went so far as to use a crude parody of Christ on the cross to gain attention.

The nature of the Japanese consumer market has also helped ensure that "mood" advertising thrives. Japan has taken on the attributes of a fully mature consumer market, on a par with the United States and Western Europe, only in the last 15 years or so.

Lifestyle sells

Television advertising evolved at the time when any product put on the shelf was likely to be snapped up by an eager Japanese nation wanting to spend its newly-acquired wealth. Advertising retains the mental attitude of that earlier period when establishing brand awareness through imagery was its major *raison d'être*.

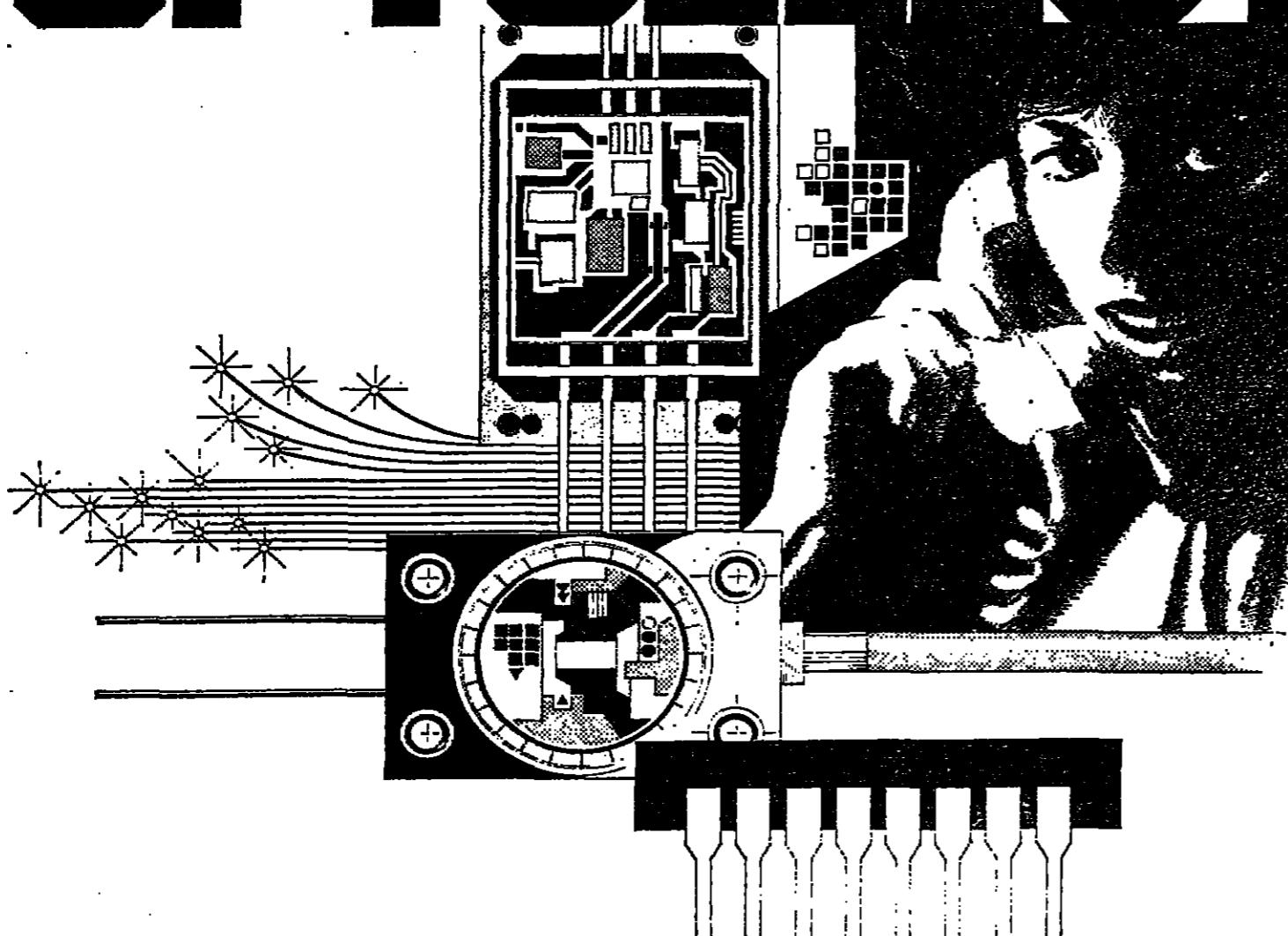
Engaging in comparative factual advertising is probably meaningless anyway. The fierce competition pervading the consumer market guarantees a uniform high product standard—lifestyle, not product specifications, is what sells.

This is not to say that hard sell advertising doesn't exist. With Japan's economic slowdown since the first oil shock in 1973, consumers have become more mindful about how they spend their money.

Hard-sell advertising is making its greatest inroads in daytime television, where the vast majority of viewers are women, the country's most important consumers since they usually control the family purse strings. Advertising is becoming a question of why you should buy a product, comments one Tokyo creative director.

Nevertheless, while Japanese advertising may get top marks for creativity, it has not produced an informed consumer constituency. Many top Japanese marketing executives privately reveal an arrogant attitude that the consumer can be easily manipulated. That assumption has some validity. Japan, for example, does not have nearly as large a consumer movement as exists in Western countries. As long as consumers respond to mood advertising with its messages of *smbō* appeal and trendiness, the situation is not likely to change.

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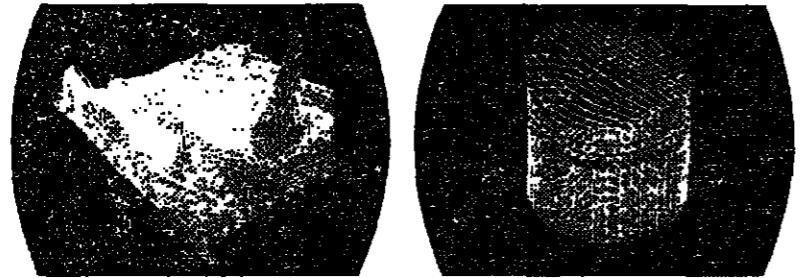
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Phone: (03) 584-2411 Telex: 242-5420 Cable: "JAPANRADIO TOKYO"
UK BRANCH OFFICE: N. Shokawa, Ground Floor, Temple Chambers, Temple Avenue, London E.C.4
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JAPAN 18

Who to see, where to go and how to get there

AREA: 372,313 sq km.

POPULATION: 117 million (1981 estimate); proportion of the total population who are over 65: 1980, approaching 9 per cent, projected for year 2000 14 per cent, for year 2020 approaching 19 per cent. Rate of increase 1970-80: 1.1 per cent; average household size 3.2 life expectancy: male—73.3 years, female—78.8 years; overall density—population/sq km: 310; note: UK 230/sq km, USA 24/sq km, China 100/sq km.

CAPITAL: Tokyo (population of conurbation 1980 estimate—11.6 million—of city's 33 wards;

early-1981: 8.15 million; estimated population of other major cities, early-1981: Yokohama 2.8 million, Osaka 2.6 million, Nagoya 2.1 million, Kyoto 1.5 million, Sapporo 1.4 million, Kobe 1.4 million).

TIME: GMT +9.

ENTRY REQUIREMENTS:

Passport required by all. VISA: not required by certain nations. Special regulations govern diplomatic, official, transit visitors or those taking up any employment/remuneration.

Nature of Political system

Although Head of State the Emperor takes no part in government—he appoints as Prime Minister the effective choice of parliament (the Diet), normally the leader of the majority party; the Prime Minister leads and appoints other Ministers to form the Cabinet and this holds executive power.

The legislature is bicameral. The 511 members of the House of Representatives serve a four-year term. In the House of Councillors half the 252 members retire every three years. Both houses are elected by universal suffrage. The House of Representatives can effectively override the House of Councillors and it is dissolution of the House of Representatives which necessitates an election.

National Tourist Agency

Japan National Tourist Organisation, 10-1 Yurakucho, 2-chome, Chiyoda-ku, Tokyo (tel: 216-1901).

Information Centres

6-1 Yurakucho, 1-chome, Tokyo (tel: 502-1461). Kyoto Tower Bldg, Higashishin-Kojo-cho, Shimogyo-ku, Kyoto (tel: 371-5649).

National airline: JAL.

Other airlines serving: Aeroflot, Air France, Air India, Air Micronesia, Air New Zealand, Alitalia, All Nippon Airways, British Airways, CAAC, Cathay Pacific, China Airlines, CP Air (Canada), Egypt Air, Garuda, Iran Air, Iraqi Airways, Japan Asia Airways, KLM, Korean Airlines, Lufthansa, MAS, Northwest Orient (USA), Pan Am, Philippine Airlines, PIA, Qantas, Sabena, SAS, SIA, Swissair, That International, UTA, Varig.

INTERNATIONAL AIRPORTS:

Fukuoka-Itazuke (Code: FUK 8 km from city, Kagoshima (Code: KOJ) 28 km from city.

Nagoya International (Code: NGO) 16 km from city.

Okinawa International (Code: OKA) 4 km from city.

Osaka International (Itami (Code: OSA) 16 km from city.

Tokyo-Haneda (Code: HND; Tokyo: TYO) 19 km from city.

Tokyo-Narita (Code: NRT; Tokyo: TYO) 65 km from city.

Sapporo-Chitose (Code: CTS; Sapporo: SPK) 40 km from city.

Main PORTS:

Kobe, Nagoya, Yokohama.

Hotels

Akasaka Prince, 1-2 Kioi-cho, Chiyoda-ku (tel: 231-1111/232-5151; cable: Princecat).

Akasa Shampia, 6-13 Akasaka 7-chome, Minato-ku (tel: 586-0811).

Akasaka Tokyo, 2-14-3 Nagatacho, Chiyoda-ku (tel: 580-2311; telex: 2224-310).

Alphabara Washington, 8-3, Sakuraga-cho, 1-chome, Kanda, Chiyoda-ku (tel: 255-3311).

Asagaya Tokyo, Inn, 6-6 Atago-cho 1-chome, Minato-ku (tel: 431-0108; telex: 2425-178).

Azabu Prince, 3-6-40 Minamiazabu, Minato-ku (tel: 473-1111; cable: Azabuprince).

Century Hyatt, 2-7-2, Nishi-shinjuku, Shinjuku-ku (tel: 349-0111; telex: 294111).

Daishi-ichi, 1-2-6 Shimbashi, Minato-ku (tel: 501-4411); telex: 2222-233.

Den Harumi, 3-1, Harumi 3-chome, Chuo-ku (tel: 443-4161).

Diamond, 25 Ichiban-cho, Chiyoda-ku (tel: 232-7641; telex: 2322-7641).

Fairmont, 2-17 Kudan, Minamachi, Chiyoda-ku (tel: 232-2883; telex: 2621-151).

Gaijin Kankou, 1-8-1, Shimo-meguro, Meguro-ku 1-chome (tel: 491-0111; telex: 2468-006).

Ginz Dai-ichi, 8-13-1 Ginzza, Chuo-ku (tel: 542-3311; telex: 2522-714).

Ginz Marunouchi, 4-1, Tsukiji, Chuo-ku (tel: 543-5431; telex: 2522-214).

Ginz Nikko, 8-4-21, Ginza, Chuo-ku (tel: 571-4911; cable: Nikkobotel).

Ginz Tokyo, 5-15-9 Ginza, Chuo-ku (tel: 541-2411; telex: 2522-561).

Grand Palace, 1-1-1 Iidashiki, Chiyoda-ku (tel: 264-1111; telex: 2322-981).

Haneda Toku, 2-8-6 Haneda-Kuko (tel: 747-0311; telex: 2466-560).

Hotel Tiba, 7-14 Roppongi, Minato-ku (tel: 403-4411).

Holiday Inn, 103-1-13, Hatchibori, Chu-ku (tel: 533-6161; telex: 2522-748).

Imperial, 1-1-1 Uchisawat-cho, Chiyoda-ku (tel: 504-1111; telex: 2222-367).

Inter-Continental Keio Plaza, 2-3-1 Nishi Shinjuku, Shinjuku-ku (tel: 344-0111; telex: 268741).

Kayu Kaikan, 8-1, Sanbancho, Chiyoda-ku (tel: 230-1111; telex: 2323-318).



Imperial Hire Cars (Tel: 264-7411).

Isuzu Rent-a-Car, 3-16 Takaido Higashii, Sugimami-ku (Tel: 334-2411).

Japan Co: 12-7, Shinjuku 2-chome, Shinjuku-ku (Tel: 352-7635).

Kokusai Hire Cars (Tel: 242-5931).

Mitsubishi Rent-a-Car, 1-11-8, Kyobashi, Chuo-ku (Tel: 563-5271).

Nippon Rent-a-Car: Jinnan Bldg, 4-3, Udagawa-cho, Sibuya-ku (Tel: 463-588).

Nippon Rent-a-Car: 5-7, Azabu-ji, 1-chome, Minato-ku (Tel: 586-2301).

Tokyo Nissau Rent-a-Car: 1-1-8, Nihonbashi 5-chome, Chiyoda-ku (Tel: 407-4431).

Toyota Rent-a-Car: 1-1-8, Nihonbashi 5-chome, Chiyoda-ku (Tel: 384-2384).

Osaka:

Japan Co: 1-8-1, Nishisaka-cho, Naniwa-ku (Tel: 632-1881).

Mitsubishi Rent-a-Car: 1-23, Minami-horie, Nishi-ku (Tel: 538-3428).

Nissan Rent-a-Car: 19-22, Chaya-machi, Kitakyu-ku (Tel: 372-0289).

Nippon Rent-a-Car: 1-1-3, Shiba-cho, Kita-ku (Tel: 372-1111; telex: 24719).

Okura, 104 Toranomon 2-chome, Minato-ku (tel: 582-2790).

Air: JAL, All Nippon Airways. Toa Domestic Airlines operate domestic services to main centres.

Rail: total track length 52,000 km (Japanese National Railway 41,000 km); highly developed network forms major mass-transport sector; "green car" equivalent to first class; two pieces of ordinary luggage carried free (but there are some restrictions in size and total weight); stopovers generally possible with longer-distance one-way tickets; refunds not made after time of planned journeys.

Shinkansen/Bullet Train: journey time (552.6 km) Tokyo-Shin-Osaka is 3 hrs 10 mins; cruising speed 210 km/hr; Hikari service stops only at major stations, Kodama stops at all stations to Shin-Osaka; beyond there (to Hakata) local enquiries are necessary as stopping does not follow same (consistent) pattern; it is possible to make telephone calls to several Japanese cities from that train.

Special note: two ends of tunnel between Honshu and Hokkaido linked 27 Jan 1983

—longest undersea tunnel, 23 km under sea; began 1984; drilling work of 11-kilometre-diameter main tunnel with 5.4-metre-diameter service tunnel; originally bullet train link planned but ordinary rail link now forecast.

Subway / metro/underground:

in Tokyo, Osaka, Nagoya, Yokohama, Sapporo; Romanised signs in use; tickets generally show preceding and subsequent station as well as destination; it is often suggested that foreign travellers take a minimum-fare ticket and go to the Fare Information Window at their destination (with sufficient change to pay any excess).

Nearest station to:

World Trade Center Building—Daimon (Toei Asakusa line).

Ministry of International Trade and Industry—Kasumigaseki (Ginza line).

Chamber of Commerce—Nijubashimae (Chiyoda line).

Tokyo Metropolitan Government Office—Yurakucho (Yurakucho line).

Rail: total track length 52,000 km (Japanese National Railway 41,000 km); highly developed network forms major mass-transport sector; "green car" equivalent to first class; two pieces of ordinary luggage carried free (but there are some restrictions in size and total weight); stopovers generally possible with longer-distance one-way tickets; refunds not made after time of planned journeys.

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Telecommunications

Telephone dialling code for Japan: prefix +81, followed by, for Tokyo 3, Osaka 6, Kyoto 7, Narita 476.

IDD access code: 001.

Approximately 55.4m telephones (50% rural) (including rural wire broadcast telephones, approximately 1.8m providing limited services), over 99 per cent automatic service (excluding rural broadcast), over 850,000 public telephones; 12.4m business lines.

International calls cannot be dialled from public phones; yellow pages plan a larger-scale colour 24 hr/day

Central Post Office (near main station) except Sundays, hollidays, telephone, telex, telegraph services available at good hotels.

USEFUL TELEPHONE NUMBERS — Police emergency: 110; Ambulance: 119; Overseas calls to Tokyo: 03-340-0000 (Mon-Sat: 03-340-0000 to 03-340-0000); to SE Asia: (211) 4211; Tourist Information Office (502) 1461; Foreign mail enquiries: Tokyo—241-4891; Overseas operator (with KDD) 0051; KDD (Kokusai Denki Denshin Denwa) Information Service 276-5111; Services (and procedures) provided by KDD include: marine radio, international eased circuits, international facsimile telegram, international phototelegram, maritime satellite communications, international date, international computer access, automatic message service.

POSTAL SERVICES — Post office hours: larger office generally: 0800-2000 (Mon-Sat: Sun 0600-1200); smaller offices generally: 0900-1700. Commemorative stamps available at Central Post Office (near Tokyo Station) (Tel: 201 1561).

New school questions old values

Teenagers
JEANNE BINSTOCK

1964 WAS THE year that symbolised full recovery in Japan and the arrival of prosperity. Japan hosted the summer Olympics, opening the country to an expected flood of tourists and foreign journalists.

Families who could not afford a television set in time for the televised marriage of their Crown Prince in 1960 to the girl he met on the tennis court, bought one in anticipation of the Olympics. The Olympics drew the attention of the world to Japan's unparalleled economic development, high expectations and national pride.

The children born from 1965 to 1972, now teenagers between the ages of 12 and 19, are Japan's first fully-industrialised, fully-educated and affluent generation, collectively experiencing the "good life" and massive exposure to new values and lifestyles, largely through television.

Polls and surveys during the last year, and current studies in progress, indicate that present teenagers are picking up on western expectations and desires faster than their parents realise, and certainly faster than they can be realised in actuality. The big question is not whether the system will open up and diversify to meet these demands, but how far, and in what manner.

Japan has remained in many respects what it was, a highly competitive society, with strong emphasis on conformity, social standing, respectability and reputation. Although the material culture has changed drastically, the arrival of prosperity, mass higher education American-style, and hi-tech economy has occurred so quickly that it has intensified many social stresses.

The parents of these teenagers suffered through defeat, humiliation, occupation, and reconstruction as children, and as adults put Japan on its feet and created its wealth. Deriving the benefits of their collective labour, Japanese teenagers are not only a head taller than their parents because of improved diet and improved nutrition, but are the first generation in Japan who were raised in affluence, in cities, on television.

The teenagers see a world full of cars, television, motor cycles, stereos and other "goodies," and a world full of



Glyn Garau
Putting on the style: scooter rider gathers with friends in a Tokyo park on a Sunday afternoon.

experiences to "try out." Even those who are "making it" have trouble understanding the rationale of all work and no play, and many think that one small step up the ladder in social standing is simply not worth the trouble when there are other possible trade-offs.

Surveys and studies reveal Japanese teenagers being reshaped by modernisation and its attendant benefits and evils. Teenagers are pressured by the exam system, the wish not to disappoint their parents, the desire to "get out from under" a regimented system, the seductive array of consumer goods, and a broadened international perspective created by television and foreign music stars, both classical and rock. These pressures are redefining their perception of the world and creating expectations, hopes and fears very different from those of their parents.

A study in progress indicates that both sexes, bitten by the "money bug," are out to decrease their dependence on others, emotionally and financially. More than 50 per cent have part-time jobs, so they can buy all those "goodies" out

there and gain discretionary independence from their parents. It was made easier because half of their mothers had already joined the labour force for the usual assortment of reasons, including money for juku evening cram schools (which help children prepare for entrance examinations).

More than 60 per cent of the youngsters in Tokyo have their own room. Their parents want them to study harder and more effectively for the critical school entrance exams which more or less determine status. But, of course, it is also the place where they can get away from their families if they want to and "do their own thing," whether it be listening to music, reading comic books or both, in complete privacy. Privaciness (privacy) is a Western word and part of their new Western outlook. One might say the youngsters are neo-Japanese.

The formal, polite, hierarchical system of adults feels out-of-balance under these new conditions. Informality and familiarity seem like good trade-offs for minor increments in social respect. They are willing to stay with the system only

to the degree that it confers benefits, not because they believe in it as the natural order of things.

Well off and indulged, they find it difficult to defend regimentation. They know individuality is value in the west and have a much greater tolerance for variations than their parents. Many model themselves, at least partially and often unconsciously, after the stars they admire.

They are, or less, internationalists, not nearly as fearful or suspicious of the outside world. They are happy and proud that Japan is now part of the Western club—indeed, one of its pillars—and they want to share all the benefits such membership confers.

In addition, teenage girls, who have almost as high a part-time job rate as boys, have increasing expectations of financial independence and the development of their talents mainly in the area of work, even after marriage and children. Equality in school and in spending money is creating expectations for equality in work as they move to the next stage in the life cycle.

Surveys indicate that Japanese teenagers are growing up faster, making decisions at an earlier age, and are getting cynical, all of which seem to be the earmarks of a "generation gap" similar to the one which hit the western advanced economies about 20 or more years ago.

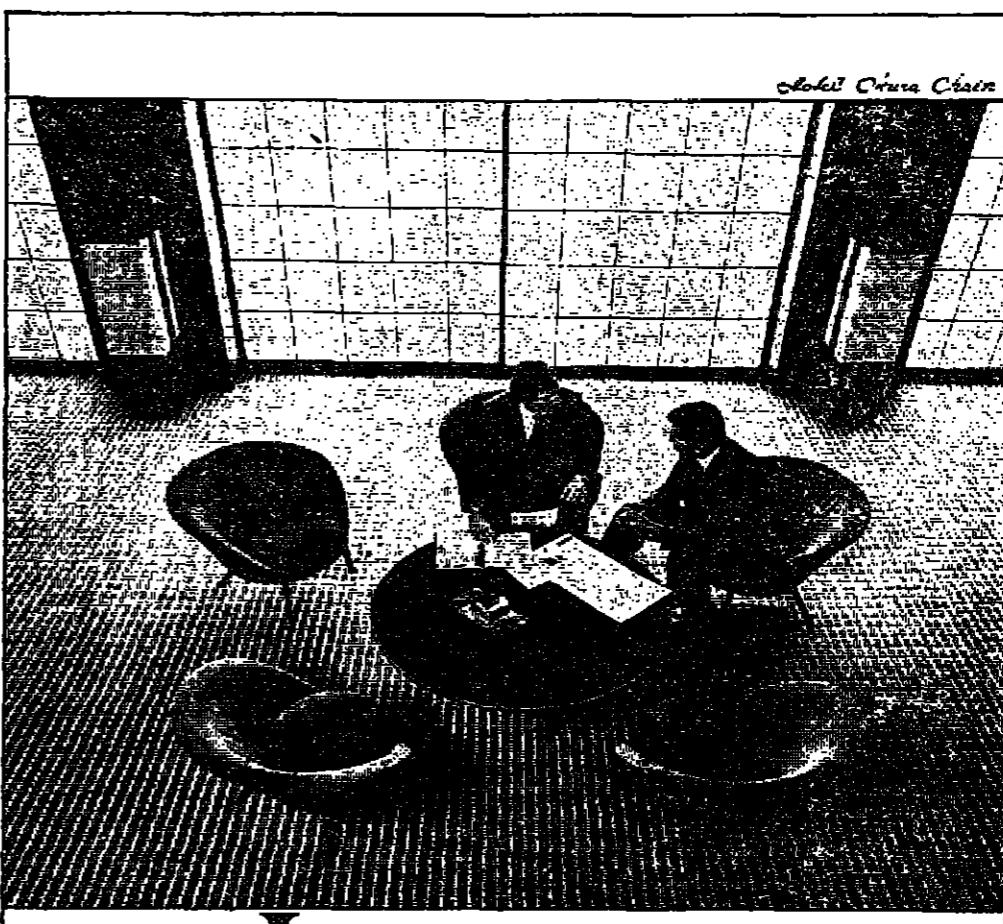
Wanting and expecting more stimulation, more freedom, more variety, more opportunities to tailor their lives, they appear to be rapidly catching up with the west in these respects, as well as economically.

Those doing business in Japan should ponder the fact that television and popular music, entirely new forms of communication about which we know relatively little, are creating social change and new expectations much faster than the older forms ever did. It gives a "big world" picture to young people and is making internationalists of them at an astonishing speed.

This is creating an incredible array of new opportunities to do business with the Japanese.

Those with guts and imagination will find it interesting and rewarding to market in a Japan which will continue to open up and diversify in response to changing lifestyles and consumer demands.

JEANNE BINSTOCK is a marketing consultant, now doing a study for Marplan-Japan, a division of McCann-Erickson-Hakuhodo Advertising Agency.



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JAPAN 20

New cultural influences have been grafted on to the more traditional Japanese art forms

A high level and breadth of skills

The Arts

MARIE MYERSCOUGH

THE CONSTANT stream of people and events nowadays has made Tokyo an international centre of the arts, enabling it to stand almost as an equal next to London and New York. However, in touching the lives of the highest percentage of ordinary people, Japan must hold first place.

The vitality of the arts is largely attributable to the cultured nature of the Japanese people. With a literacy rate of 95 per cent, they take naturally to them. Most communities even in large cities have annual festivals which call on a wide range of artistic skills.

The people of rural areas still perform centuries-old rituals often more powerful than any staged play. There seem to be few Japanese who cannot sing, play a musical instrument or do a simple brush painting. Many belong to amateur dramatic societies.

However, Japan's eclecticism is such that each new cultural influence has been grafted on to the old, rather than replacing it. This has given the culture both continuity and breadth and made the rich soil in the world with perhaps more developed art forms available than anywhere else.

Japan's educational system plays a large role in inculcating people into the arts. Despite their formality and examination pressures, most schools have active arts clubs.

Twice-yearly schools' festivals include performances which as far back as the 1920s featured European plays. Exhibition-going is also initiated at school.

The Japanese are great attenders at classes, especially in both traditional and Western arts. Many of these are set up by local department stores which in addition to their commercialism act as culture centres (most have an exhibition hall or museum, class rooms, even theatres). A society without Western-style, class division prejudices permits commerce and culture to work together and opens the arts to all.

The artistic basis of Japanese



A Noh play. Both traditional and contemporary theatre are well attended

society is another factor. Both in its pure and broadest sense art traditionally has been used to beautify everyday objects, providing endless artefacts on which to employ creative energy. Further, Japanese lower classes, more upward-striving than their Western counterparts, have always been receptive to the culture of the arts.

The interaction of the arts is also relevant. Unlike the West, plays, a mixture of song and music; painting combines with literature; music describes a picture. Borrowing from one art form to the other is accepted practice. So too the "college" approach, where ideas are combined in ways undreamt and undreamt of in Europe. The absence of Western logic is liberating.

Low subsidy

Since the arts are left to fend for themselves, most of the funding is on a do-it-yourself basis. In line with its minimal social spending, Japan gives far less to the arts in subsidy than any modern nation.

Recent figures show France as the most generously subsidised with \$1bn, Germany \$641m, the US \$165m, and New York City \$74m, against Japan's \$45m.

Nonetheless, the government does support prominent artists. An honorary title translating awkwardly as "Living National Treasure" plus a stipend of

\$7,000 to assist in the passing on of their skills, is conferred on outstanding artists, craftsmen, actors, musicians in the traditional fields.

Financing originates from Japan's typical self-help spirit, the energy and initiative of those involved, plus support from private industry.

Indeed, business and the arts form a natural partnership.

Most of the private museums belonging to companies in communications as diverse as oil, electronics, tyres, and drinks, travel agents may make their home in theatre foyers, while in many local festivals the activity around the stalls lining the streets appears to constitute the festival more than the portable shrine-bearers squeezing their way through.

Looking at the state of the arts in Japan, the following general points are relevant:

- In most categories Japanese and foreign (mainly Western but also Asian) arts co-exist;

- While Tokyo is the country's artistic and political capital, provincial cities ambitious to keep up are canoodling for an increasing share in events, evidenced for instance, by the boom in new museums over the last decade;

- The technical excellence of Japanese musicians, actors, etc is achieved by the strict penance for perfectionism.

- Avant-garde once the most exciting category, has now become predictable with little new over the last three years.

Because of Japan's demographic layout of cities separated by mountains, many provincial theatre and dance groups work in isolation.

- Audiences' tastes in the arts is generally conservative and, in the case of Western films, for example, has often not developed beyond what was popular when that genre was first introduced into Japan. As a society which operates mainly by personal contact people also take a long time to accept the new.

- The sociological concept of "the group" and "insiders/out-siders" may operate against the talented Japanese individual who goes it alone, ie, alone he stays.

- Though Tokyo is the artistic capital, many provincial artists feel alienated. Among their reasons are Tokyo's newness: until 1868 Osaka was the country's artistic capital.

Large audiences

Theatre: Both traditional and contemporary theatre are active and well-attended. So, too, are foreign plays, 230 (mainly Western) performed in Japanese last year. The uneven acting standard of Western plays is gradually being remedied thanks to the trend of inviting well-known directors to work with Japanese companies.

Avant-garde once the most exciting category, has now become predictable with little new over the last three years.

Foreign theatre: The visits of prestige international companies also inspire the Japanese. In line with Asian theatrical tradition, plays tend not to be intellectual nor about pertinent social issues.

Dance: Both as integral to traditional theatre and in its own right, classical dance is important. Dance schools and performances are usually a sell-out.

Buto, the tortured and grotesque avant-garde dance (dancers nearly nude, bodies covered in white make-up), while well-known overseas, is still regarded as underground at home.

Foreign dance: Classes in all genres are well-subscribed, reflecting the boom in foreign dance. Yet Western dance is the poor relation. Ballet stars Yoko Morishita and Goro Horiechi are the exceptions in a still underdeveloped art.

(Reasons lie in the Japanese physique, poor teachers, choreographers, conservative audiences.)

In modern dance, most is too similar to its American original. Flamenco, on the other hand is popular and several Japanese performers have loyal followings. (This also explains the long run of Gades' "Carmen" in Japan.)

Film: Despite the reputation of Japanese films as classics and recent triumphs at Cannes, the film industry has been in decline for the last decade or more. It now consists largely of sex and violence plus some bland family fare, catering to audiences 75 per cent of whom are under 21. For genuine entertainment Japanese moviegoers must go foreign, and American films comprise the largest category.

Foreign film: Most "roadshows" come to Japan in the original language and subtitled. The big dearth is in European films, most of which do not appear. However, this is about to be remedied: the Seibu Department store group has started showings in special art cinemas.

Three cinemas, regarded as highbrow and having cachet, are in fashionable Tokyo areas. They are aimed at the over-35 audience in efforts to woo back to the cinema wives now at home who are unwilling to use baby sitters, and workaholic husbands out with the boys.

Video: As an art form Japanese video is just starting to take off with little yet of note. While video shops abound and Japan

continues its vast output of hi-tech hardware, software is mainly foreign. Rock videos common in the U.S. and the UK are just arousing attention as are those on social or political issues. However, contact with foreigners coming to work in Japan's stimulating environment will soon improve creativity though not financing.

Music: Japanese and Western music vie with exhibitions as the most active performing art. There is no shortage of concerts of traditional music. Enka, the sentimental songs sung by businessmen in bars are down to an art, with backing tapes, words books and even costumes and props.

Market research

In spite of the initial American influence, pop and rock music has been Japanised so that almost all groups look and sound alike—those who make it to the top having their image determined by market research and the industry. There are Japanese versions of New Music, New Wave and Rock.

Western music: From its first introduction in the 19th century Meiji period, Japanese people took classical western music to their hearts. Many Japanese musicians are now known internationally. Tokyo boasts 11 symphony orchestras and most concerts are sell-outs.

A constant stream of well-known musicians and conductors perform in Japan. In the contemporary music field Japanese hold their own internationally.

Most well-known pop groups tour Japan, supplemented by British punk and reggae groups often unknown at home.

Opera: In contrast to Western classical music, opera has never really caught on. The first performance in Japan was only in 1934 and today, three companies later, Tokyo still does not have an opera house. Yet there is a growing body of aficionados who got at any price (La Scala \$120, a local company \$65).

Italian is preferred, enthusiastic "bravos" having been absorbed into Japanese operagoers' vocabulary.

Yasuko Hayashi is the only Japanese opera star of note. Reasons lie in both problems of jibaku and lack of proper training facilities. Nonetheless, with the growing popularity, performances are sold out and at least one important international company tours each year.



Goro Inada, master of Japanese lacquer art, at work. The glowing finishes of lacquer articles take several months to achieve.

Architecture: The only aspect of Western art, the arts of China, Korea and other parts of Asia are well represented. However, in comparison with the Japanese exhibitions, they constitute a small percentage. In recent years Western art exhibitions have been increasing with much competition for the prestige ones. Japan is a relative newcomer in the field of buying art. As a result many collections of Western art are unrepresentative and uneven.

The usual sponsors for art exhibitions are newspapers of which the leader is the Nihon Keizai Shimbun, Japan's main financial paper. Some excellent Western art graces the corridors of the major trading houses, banks and internationally-known companies.

The Seibu Museum of Modern Art is shaking Japanese conservative tastes by its frequent exhibitions of contemporary, and often controversial, artists.

The arts, with no barriers against foreign "imports," offer many insights on Japan. For the business visitor there is no need to allow him or herself to be insulated by the well-meaning but tradition-bound ideas of his Japanese hosts, steered once more into the anonymous sight spots and obligatory Kaiseki. Much more is available if he sticks out along to sample the other arts.

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